

# PACT INDUSTRIES LIMITED

## Financial Highlights – 7 Years at a Glance

(Rs. in Lacs)

	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
Turnover	4566.50	2042.75	1989.81	1963.68	859.96	2304.20	2084.61
Total Income	4635.95	2042.93	1990.09	1964.73	862.01	2316.61	2103.75
Earning Before Depreciation, Interest and Tax	139.80	15.66	10.04	44.74	61.54	180.22	219.47
Depreciation	67.33	5.77	6.64	8.00	10.84	93.16	104.02
Profit before Tax	11.92	2.77	2.18	2.10	1.93	26.43	66.97
Equity Share Capital	494.08	494.08	494.08	494.08	494.08	494.08	494.08
Reserve and Surplus	197.04	520.69	512.83	503.60	522.56	1318.97	1199.38
Net worth	691.12	1014.77	1006.24	997.68	1016.64	1813.05	1693.46
Gross Fixed Assets	796.01	1159.10	726.44	602.56	612.26	1314.92	1299.44
Net fixed Assets	641.30	678.99	250.97	133.72	151.42	549.70	626.76
Total Assets	2137.78	1878.08	1255.77	1204.82	1570.81	2652.90	2439.42

# PACT INDUSTRIES LIMITED

## NOTICE

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Saturday the 29<sup>th</sup> day of September, 2012 at 02.45 P.M. at 303, Hotel The Taksonz, Opp. Railway Station, Ludhiana to transact the following business:-

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors and Compliance Certificate thereon.
2. To appoint a director in place of S. Avtar Singh who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of S. Amandeep Singh who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the Financial Year 2012-2013 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of Company and to fix their remuneration. M/s Rajesh Mehru & Co., Chartered Accountants the retiring auditors are eligible for re-appointment.

### **SPECIAL BUSINESS**

5. **To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:**

"RESOLVED THAT M/s. Brij K. Tiwari & Associates, Practising Company Secretaries, be and are hereby re-appointed for issuance of Compliance Certificate in terms of the provisions of Section 383A(1)(a) of the Companies Act, 1956 and to hold the office till the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board and agreeable to them.

Notes:

1. **A member entitled to attend and vote at his Annual General Meeting is entitle to appoint one/more proxy (ies) to attend instead of himself/herself and such proxy need not be a member of the company. A blank and vote proxy form is enclosed. Proxies in order to be effective must be with the company duly executed not less than 48 hours before the commencement of Annual General Meeting at the registered office of the company.**
2. Member/proxies should bring the attendance slip duly filled in Annual General Meeting.
3. Members are requested to notify any changes in their residential address immediately to the company.
4. The share transfer books & register of the share transfer shall remain closed from Wednesday the 26<sup>th</sup> Sep, 2012 to Saturday 29<sup>th</sup> Sep, 2012 (both days inclusive).
5. Members are requested to bring their copy of Annual Report along with them to the meeting.
6. Members are requested to quote their Folio No. in all their correspondence with the company.
7. Members desiring any information on the accounts or other items of the agenda are requested to write to company at least 7 days before the Annual General Meeting so that management may keep the information ready.
8. Member may kindly note that no gift will be distributed at the Annual General Meeting.

**BY THE ORDER OF THE BOARD  
FOR PACT INDUSTRIES LTD.**

**PLACE: LUDHIANA  
DATE: 1st September, 2012**

**CHAIRMAN**

# PACT INDUSTRIES LIMITED

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

### **Item no. 5**

M/s. Brij K. Tiwari & Associates, Practising Company Secretaries are retiring at the ensuing general meeting and are eligible for re-appointment.

Your board recommends the resolution mentioned under item no. 5 for your approval.

None of the directors is interested.

# PACT INDUSTRIES LIMITED

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 19<sup>th</sup> Annual Report on the business and operations of the Company along with audited statements of accounts for the year ended 31<sup>st</sup> March, 2012.

### FINANCIAL RESULTS

PARTICULARS	(FIGURES IN LACS)	
	Year ended 31.03.2011	Year ended 31.03.2012
Turnover & Other Incomes	2042.93	4635.95
Profit before interest & Dep.	15.67	139.80
Interest	7.13	60.55
Depreciation	5.77	67.33
Profit before Tax	2.77	11.92
Provision for tax (including deferred tax liab.)	0.00	0.46
Profit after tax	2.77	11.46
Less: Income tax of previous years	0.67	0.00
Adjustments/ Losses	0.00	9.71
Transfer to General Reserve	0.00	0.00
Balance carried forward from earlier year (Net of Deferred tax liabilities)	11.59	13.68
Carried to Balance Sheet	13.68	15.43

### MANAGEMENT DISCUSSIONS AND ANALYSIS OVERVIEW:

#### a) Business:

The company is manufacturing steel ingots and the future is bright since all the products manufactured by the company will be consumed by the cycle and auto parts manufacturing units situated at Ludhiana. The board does not foresee any problem from sales and marketing point of view. As far as manufacturing is concerned there will not be any problem since the raw materials and specialized labour is easily available in the city.

In addition the company is also continuing with its business of fabric trading. Since the company does not foresee major expansion in fabric business it is concentrating on casting business.

#### b) Financial Analysis and Review of Operations:

##### • PRODUCTION AND SALES REVIEW :

During the year under review, Company has registered a turnover of Rs. 4635.95 lacs as compared to Rs.2042.93 lacs showing growth over the previous year's turnover. The business- wise performance is as under:

- i) **Fabric & cloth:** During the year, the Sales of processed fabric increased from 2024.41 lacs to 2025.77 lacs showing good growth over the previous year. The Production of processed fabric also increased during the year.
- ii) **Garments:** The Company has not done any business in garment segment due to huge competition.

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- iii) **Steel:-** During the year, the Sales of Ingots ( Steel ) increased to 2540.72 lacs from 18.34 lacs showing good growth over the previous year. The Production of Steel also increased during the year.

## • PROFITABILITY:

During 2011-12, the company generated EBIDT of Rs. 139.80 Lacs compared to Rs. 15.67 Lacs in the previous year registering an annualized increase of 792.72 per cent on a year to year basis.

## RESOURCES UTILISATION:

- i) **Fixed Assets:** the Company's gross block stood at Rs. 796.01 Lacs on March 31, 2012 as compared with Rs. 1159.09 Lacs as at March 31, 2011.

- ii) **Working Capital:** The Company makes aggressive purchases of raw material with a seasonal availability to capitalize on cyclical opportunity. This translates into a large raw material inventory reflected in the numbers drawn on the Balance Sheet date. As a matter of fiscal prudence, the company deploys JIT for all other raw materials. The delivery period of the finished goods may extend over the period of time, depending upon the manufacturing limitations and economics of batch manufacture. As on the balance sheet date, inventories included the stocks dispatched to customers against which the documentary completion was pending.  
Total working capital limit availed from bank as on date of drawing the balance sheet was at Rs.585.68 Lacs compared to Rs. 315.75 Lacs as on March 31, 2011.

## • FINANCIAL CONDITIONS & LIQUIDITY:

Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:

	2010-11	(Rs. in Lacs) 2011-12
<b>Cash &amp; Cash equivalents:</b>		
Beginning of the year	14.66	9.49
End of the Year	9.49	254.38
<b>Net Cash provided (used) by:</b>		
Operating Activities	72.17	43.70
Investing Activities	489.45	-127.16
Financial Activities	556.45	328.35

- d) **Internal control System:**

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

- e) **MANAGEMENT perception of Risk & Concern:**

The probable material effects of an uncertain environment (both internal as well as external) on business goals are identified. The factors, which could affect the performance vis-à-vis, the stated objectives are determined. Each and every activity is analyzed and the internal and external forces acting on them along with the negative resultant which could possibly surface is identified where internal factors are perceived to be the drivers, adequate policy- procedure checks are installed within the business processes for earlier recognition and corrective measure to overcome the same. In case of external drivers, a continuous cost benefit analysis is done to take a proactive approach and safe guard the business outcome on a substantial basis.

Risk is necessary part and parcel of each business and risk taking is must for business growth. However, negative impact of business risk has to be managed through effective risk management both at policy formulation and implementation levels. Operations of the company are subject to general business risks, which include competition in the market both national and international, fluctuation in currency parity and political and social instability in the country. Though adequate

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care is taken to minimize impact of such imponderables but it should be understood that these inherent and inescapable in any business situation.

## **f) Human Resources / Industrial Relations:**

The Company continues to lay emphasis on building and sustaining excellent organization climate based on human performance. Performance management is the key word for the Company.

Pursuit of proactive policies for industrial relations has a peaceful and harmonious situation.

## **SUBSIDIARIES**

The company does not have any subsidiary.

## **NO DEFAULT**

The company has not defaulted in payment of interest and/or repayment of loans to any of the financial institution and/or banks during the period under review.

## **DIVIDENDS**

Directors are of the view that as the Expansion Programme has already announced and to implement the capital-intensive plans together with loan repayment; these shall be made from operating surplus. The reserves & surplus of the Company have been kept intact to facilitate this purpose, so dividends have not been recommended for the year ending 31.03.2012 in the long term interest of the company.

## **DIRECTORS**

S. Avtar Singh & S. Amandeep Singh are retiring by rotation and being eligible offers themselves for re-appointment. Keeping in view their contribution to the company the board recommends their re-appointment.

S.Charanpreet Singh has resigned from the directorship.

## **AUDITORS**

M/s. RAJESH MEHRU & Co. Chartered Accountants the statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

## **AUDITOR'S REPORT**

The Auditors Report and Notes to the accounts are self-explanatory and do not call for further comments.

## **APPOINTMENT OF CSP**

M/s. Brij K. Tiwari & Associates, Company Secretaries, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The Compliance Certificate received in accordance with the provisions of Section 383A(1)(a) read with the Companies (Compliance Certificate) Rules, 2001 is annexed to the Directors report. The board hereby confirms that:

- the company has entered into transactions falling u/s. 297 of the Act on cash basis at market price and hence no prior approval of Central Government has been sought.
- the company has not given advances, loans to persons falling u/s. 295 except advances made in normal course of business.
- the company has not accepted any deposit falling within the provisions of Section 58A.
- the company has not provided any loan or guarantee as mentioned u/s. 372A.
- the company has complied with the provisions of section 217 of the Act.

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## COMPLIANCE CERTIFICATE

A compliance certificate obtained from M/s. Brij K. Tiwari & Associates, Company Secretaries pursuant to provisions of Section 383A is attached herewith. The same being self explanatory no comments are required.

## INDUSTRIAL RELATIONS

Industrial relations in all the units of the Company remained cordial through out the year under review.

## HUMAN RESOURCE DEVELOPMENT

Your company recognizes human resources as its most valuable resources and lays considerable emphasis on their training and development with a view to create a culture of learning trust safety and fairness. During the period under review, your company continues to attract & retains their talent from all parts of country. Your company is also heading towards developments of internal trainers for imparting the training and attitude building of the employees.

## PARTICULARS OF EMPLOYEES

The information required in terms of section of 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is NIL.

## DEPOSITS

The company has not accepted any deposits during the year under review.

## DIRECTORS RESPONSIBILITY STATEMENT

A statement of responsibility of directors pursuant to the provisions of section 217 (2AA) of the Company Act 1956 is annexed and forms part of this report.

## CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Clause of the Listing Agreement is annexed to the report on Corporate Governance.

## ACKNOWLEDGEMENTS

Yours Directors wish to place on record their thanks and appreciation for the valuable support and co-operation of various agencies and departments of the central and state governments, financial institutions, banks, customers, suppliers, other business associates and investors.

Yours Directors also acknowledge the dedicated efforts of the employees at all levels and wish to records their sincere thanks to the investors for reposing their continued confidence in the Company, which has always been source of strength for the Company.

**BY THE ORDER OF THE BOARD**

PLACE: LUDHIANA  
DATED: 1 st September, 2012

(AVTAR SINGH TAKKAR)  
**CHAIRMAN**

# PACT INDUSTRIES LIMITED

## ANNEXURE TO THE DIRECTORS' REPORT

Information as per section 217(1)(e) of Companies Act, 1956 read with the companies (Disclosure of particulars in the report of board of directors) Rules, 1988 and forming part of the directors' report for the period ended March 31, 2012.

### 1. CONSERVATION OF ENERGY.

Energy conservation measures taken.

- a) Installation of electric motors of optimum capacity.
- b) Light and air ventilators are used at various places in building for maximum utilization of natural light.
- c) Use of energy saving devices for lighting circuits etc.

Additional investments and proposal, if any, being implemented for reduction of consumption of energy

- a) Conservation of energy is an on going process in our organization and shall be strictly followed.
- b) Total energy Consumption as per Form-A of the Annexure to the rules in respect of the Industries Specified in the Schedule thereto.

- 1.3 Impact of measure taken at 1.1 and 1.2 above for reduction of energy consumptions and consequent impact on the cost of production of goods.  
Consequent to the aforesaid measures adopted by the company during the year under review, the energy consumption has decreased as compared to previous year.

### 2. Total Energy consumption and consumption per units of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.

Sr. No	Particulars	Units	Previous Year	Current Year
2.1	Power and Fuel Consumption			
2.1.1	Electricity			
	a) Purchased			
	Units	KWH	255553	8448770
	Total amount	Rs.	1584430	45623359
	Rate Per Units	Rs.	6.20	5.40
	b) Own Generation			
	Units	KWH	0	0
	Cost of Diesel	Rs.	0	0
	Cost Per Units	Rs.	0	0
2.1.2	Other/ internal Generation	-	-	-

### 3. Particulars as per FORM B

#### 1.1 Research and Development (R&D)

The company has adopted latest technologies and has adopted proper measures to have an effective control over raw material, WIP process flow and finished goods and to monitor all technical parameters of manufacturing to achieve consistent quality of its products.

- 1.1.1 Specific areas in which R&D carried out by the company
  - a) Alignment of working practices to enhance quality consistencies.
  - b) Consistent improvement in the quality of end products.

- 1.1.2 Benefits derived as a result of above R&D.  
Improvement in the turnover due to value added products and quality.  
Improvement in quality level.



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## 1.1.3 Future plan of action

- a) More focus on development of new/ value added products
- b) Reduction in cost of manufacturing by internal process improvement.

## 1.1.4 Expenditure incurred on the R&D

Expenditure incurred on R&D is booked under respective general accounting head and as such no amount can be qualified under the head R& D expenses.

## 2. Technology Absorption, Adaptation & Innovation

### 2.1 Efforts, in Brief, made towards technology absorption adaptation and innovation.

A) The company has purchased machinery with latest technology for its casting unit.

### 4.2 Benefits derived as a result of the above efforts e.g. products improvements; cost reduction, product development etc.

The company is able to cater to large number of customers with multiple products portfolio.

The manufacturing costs were rationalized towards optimization.

### 4.3 In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.

a) Technology imported during last five years: The Company has incurred the following costs for installment of Dyeing , Circular Knitting, Stitching Machinery during the last five years as under

	Year	Rs.
i)	2011-2012	Nil
ii)	2010-2011	Nil
iii)	2009-2010	Nil
iv)	2008-2009	Nil
v)	2007-2008	Nil

## 3. Foreign exchange earnings & outgo:

### 3.1 Activities relating to exports; initiative taken to increase exports; development of the new exports market for products and services and exports plans:

The company is exploring new overseas markets with potential of accepting value added, quality garments as a lucrative alternative to the existing markets. Considering the tremendous exports potential, consistent efforts are being made to sustain new avenues for exports.

### 3.2 Total foreign exchange earnings and uses are shown in the table below:

Particulars	Current Year	Previous Year
Earnings	0.00	0.00
Outgo- Raw Material - Capital Goods	\$ 865487.79	0.00
Traveling Expenses	0.00	0.00
Other Expenses	0.00	0.00