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For, PALCO METALS LIMITED

H. P. P. P.

AUTHORISED SIGNATORY

PALCO METALS LIMITED

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43rd

ANNUAL REPORT & ACCOUNTS

2003-2004

PALCO -

PALCO METALS LIMITED

BOARD OF DIRECTORS

Shri Kiran B. Agrawal
Shri Kanaiyalal B. Agrawal
Shri Ashok B. Agrawal

BANKERS :

State Bank of Saurashtra
Shahibaug Branch,
Ahmedabad

AUDITORS :

M/s. MADHUSUDAN C.
MASHRUWALA & CO.

REGISTERED OFFICE :-

604/B, Sahjanand Shopping Centre.
Shahibaug Road,
Ahmedabad-380 004.

WORKS :-

Opp. Khanwadi, Ramol Road,
Post Jantanagar, Ramol,
Dist. Ahmedabad-382 449.

43rd ANNUAL REPORT AND ACCOUNTS 2003-2004

NOTICE

Notice is hereby given that the 43rd Annual General Meeting of the Members of the company will be held on 23rd July 2004 at 11.00 A.M. at Works of the Company, Opp. Khanwadi Ramol Road, Post Jantaganagar, Ramol, Dist. Ahmedabad-382 449. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as at 31st March 2004 and the profit & loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Ashok B. Agrawal who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditor's to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board of directors.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The register of Member and share transfer book of the Company shall remain closed from 19/07/2004 to 23/07/2004 [Both days inclusive]
3. Member/Proxies are required to fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
4. Members are requested to notify immediately any change in their address, if any at the Registered Office of the Company, quoting their folio numbers.

Place : Ahmedabad
Date : 28th May, 2004

By order of the Board
Kiran B. Agrawal
Director

DIRECTOR'S REPORT:

Dear Shareholders,

Your Directors have pleasure in presenting the 43rd Annual Report along with the audited Balance Sheet and Profit and Loss account for the year ended on 31st March, 2004 of your Company.

(1) FINANCIAL RESULT:

	<u>2003 - 2004</u>	<u>2002 - 2003</u>
Profit before Depreciation	2952331	2885373
Depreciation	1020784	905686
Profit before Tax	1931547	1979687
Provision for Tax	600000	600000
Provision Deferred Tax	(47091)	81720
Profit after Tax	1378638	1273657

(2) **OPERATION** : During the year Company has increased its turnover and has made a net Profit after tax of Rs. 13,78,638 as compared to the profit of Rs. 12,73,657 last year after achieving satisfactory result in its operation during the year, the Company continued its efforts during the year on improving the market for its products and popularizing its use. As a result of which your Directors are of the opinion that results in the coming years would also be satisfactory. Keeping in the view the Expansion project and future plan of the company

(3) **DIVIDEND** : Your Director does not recommend any Dividend for the financial year ended on 31st March, 2004.

(4) **DIRECTOR** : Ashok B. Agrawal who are due to retire by rotation at the ensuing Annual General Meeting and he being eligible offer himself for reappointment.

(5) **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO**: Information as per section 217(1)(E) read with Companies Disclosure of particulars in the report of the Board of Directors Rule 1988 and forming part of the Directors Report for the year ended on 31st March, 2004.

(A) **CONSERVATION OF ENERGY** : The Directors has made full efforts to minimise the consumption of Electricity and Furnace Oil. There is marginal increase/decrease in consumption of Electricity and Furnace oil. The figure are given have under:

(1) ELECTRICITY	<u>2003 - 2004</u>	<u>2002 - 2003</u>
Consumption of Total Unit	103287	112874
Consumption in Rupees	520163	544906
Average Rate per Unit	5.04	4.83
(2) FURNACE OIL	<u>2003 - 2004</u>	<u>2002 - 2003</u>
Consumption of Total Unit	104010	46242
Consumption in Rupees	1303666	662000
Average Rate per Unit	12.53	14.32

(B) TECHNOLOGY ABSORPTION :

EXPANSION : Due to changes in the technology your company has undertake a modernisation and Expansion plan. As a part of which the company has purchased a Aluminium Wire Rod Plant (Properzi Mill) from M/s. Torrent Cables Limited. The erection and installation is under progress. The Company is trying to take the commercial production of Wire Rod from the month of July' 2004.

(C) FOREIGN EXCHANGE EARNING & O UTGO

	<u>2003 - 2004</u>	<u>2002 - 2003</u>
	<u>Rs.</u>	<u>Rs.</u>
Foreign Exchange Earning (FOB)	3.49 Lacs	18.75 Lacs
Foreign Exchange Outgo	638.39 Lacs	744.39 Lacs

- (6) **FIXED DEPOSIT:** The Company has not accepted any fixed deposit from the public during the financial year 2003 - 2004.
- (7) **DIRECTORS RESPONSIBILITY STATEMENT:** Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors Declares that.
- (A) In preparation of the annual accounts, the applicable accounting standards has been followed alongwith proper explanation relating to material departures.
- (B) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 / loss of the Company
- (C) The Directors have taken proper and suffcient care of the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company for preventing and detecting fraud and other irregularities
- (D) The Directors has prepared the annual accounts on a going concern basis.
- (8) **AUDITORS :** M/s Madhusudan C. Mashruwala & Co. Chartered Accountants statutory Auditors of the Company hold office untill the conclusion of ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them that their reappointment, if made would be within the prescribed limits under section 224(1-B) of the companies Act, 1956.
- (9) **AUDITORS REPORT :** The notes of the Accounts referred to in the auditor's Reports are explanatory and therefore do not call any further comments.
- (10) **PARTICULARS OF EMPLOYEE :** The Company has not employed person drawing remuneration of Rs. 24/- Lacs or more per year or Rs 2/- Lacs or more per month in the financial year 2004.
- (11) **AUDIT COMMITTEE :** The provision of section - 292 A relating to constitution of Audit Committee is not applicable to the Company.
- (12) **ACKNOWLEDGEMENT :** Your Directors would like to express their appreciation of the Co-operation received from the Labour & Staff of the Company and to valued clients, bankers and shareholders for their continued support.

Place : Ahmedabad
Date : 28th May, 2004

By order of the Board
Kiran B. Agrawal
Director

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**MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS**

AUDITORS' REPORT TO THE SHAREHOLDERS

AUDITORS' REPORT TO THE SHAREHOLDERS

To,
The Members of
Palco Metals Limited
Ahmedabad.

We have audited the attached balance sheet of **Palco Metals Limited**, as at 31st March 2004, the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (iii) The balance sheet, profit and loss account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2004 ;
 - (b) In the case of the profit and loss account, of the profit for the year ended on that date.

**FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS**

AHMEDABAD

**(M. C. MASHRUWALA)
PARTNER
MEMBERSHIP NO. 993**

Date : 28th May, 2004

Annexure referred to in paragraph 2 of our Auditor's Report of even date on the Financial Statement for the year ended 31st March, 2004 of Palco Metals Limited.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that -

- (i)
 - (a) The Company has maintained proper records showing particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but **there is a regular programme of verification** which, in our opinion, is reasonable having regards to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) The company has not disposed off any substantial part of any fixed assets during the year
- (ii)
 - (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records **were not material.**
- (iii)
 - (a) The company has taken loan from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1.14 crores and the year-end balance of loans taken from such party is Rs. 1.12 crores. There are no parties covered in the register maintained under section 301 of the Companies Act, 1956 to which the company has granted loans.
 - (b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from company, which is shown in the register maintained under section 301 of the Companies Act, 1956 is not, prima facie, prejudicial to the interest of the company.
 - (c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest. There are no parties to whom interest is receivable.
 - (d) There is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, **there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods.** During the course of our audit, no major weaknesses in internal controls had come to our notice.
- (v)
 - (a) There are no transactions made with parties that need to be entered into register in pursuance of Section 301 of the Act.
 - (b) As there are no transactions made with parties, the provisions of clause v(b) is not applicable.
- (vi) The Company has not accepted any deposits from Public, hence the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies Act, 1956 and the Companies (Acceptance of deposits) Rule, 1975 is not applicable to the Company

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- (vii) The company does not have an internal audit system.
- (viii) The provisions of section 209 (1) (D) of the Companies Act, 1956 regarding maintenance of cost records are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
 (b) According to the information and explanations given to us, no undisputed amounts is payable in respect of income tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-3-2004 for a period of more than six months from the date they became payable.
 (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) There are no accumulated losses in the Company.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the bank.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clauses 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loans.
- (xvii) No funds has been raised on Short Term basis and no long term investment has been made from it.
- (xviii) The Company has not issued any shares hence there is no preferential allotment.
- (xix) The Company has not issued any debenture.
- (xx) The Company has not raised money from public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS**

Place : AHMEDABAD

(M. C. MASHRUWALA)
PARTNER
MEMBERSHIP NO. 993

Date : 28th May, 2004