



PALCO METALS LIMITED

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44th

ANNUAL REPORT & ACCOUNTS

2004-2005

**PALCO
METALS
LIMITED**

BOARD OF DIRECTORS

Shri Kiran B. Agrawal
Shri Kanaiyalal B. Agrawal
Shri Ashok B. Agrawal
Shri Lalitkumar D. Gupta

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.

**44th ANNUAL REPORT
AND ACCOUNTS
2004-2005**

NOTICE

Notice is hereby given that the 44th Annual General Meeting of the Members of the company will be held on 25th August, 2005 at 11.00 A.M. at Registered Office of the Company at 604/B, Sahjanand Shopping Centre, Shahibaug Road, Ahmedabad-380 004 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance sheet as at 31st March 2005 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 Kiran 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.

SPECIAL BUSINESS :

To consider and if thought fit to pass with or without modification the following Resolution as on ordinary resolution.

"Resolved that Mr. Lalitkumar D. Gupta who was appointed as an additional Director of the company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as a director by the company liable to retire by rotation".

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 21/08/2005 to 25/08/2005 [Both days inclusive].
3. Members/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.

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

Mr. Lalitkumar D. Gupta was appointed as an additional Director of the company w.e.f. 10.01.2005. He holds office only upto the date of Annual General Meeting in accordance with the provisions of Section 260 of the Companies Act, 1956. A notice in writing has been received from a member of the company pursuant to Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- signifying his intention to propose Mr. Lalitkumar D. Gupta for the office of Director of the Company.

None of the Director except Mr. Lalitkumar D. Gupta is in any way concerned or interested in the resolution.

Place : Ahmedabad
Date : 28th July, 2005

By order of the Board
Kiran B. Agrawal
Director

DIRECTOR'S REPORT:

Dear Shareholders,

Your Directors have pleasure in presenting the 44th Annual Report along with the audited Balance Sheet and Profit and Loss account for the year ended on 31st March, 2005 of your Company.

(1) FINANCIAL RESULT:

	<u>2004 - 2005</u>	<u>2003 - 2004</u>
	Amount	Amount
	(Rs. in '000)	(Rs. in '000)
Profit before Depreciation	4921	2952
Depreciation	1802	1021
Profit before Tax	3119	1932
Provision for Tax	235	600
Provision Deferred Tax	1150	(47)
Profit after Tax	1734	1379

(2) **OPERATION** : During the year Company has increased its turnover and has made a net Profit after tax of Rs. 17,33,787 as compared to the profit of Rs. 13,78,638 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.

(3) **DIVIDEND** : Your Director does not recommend any Dividend for the financial year ended on 31st March, 2005.

(4) **DIRECTOR** : Kiran B. Agrawal who retires by rotation at the ensuing Annual General Meeting and he being eligible offer himself for reappointment. During the year Mr. Lalitkumar D. Gupta has been included as a director on the Board of the company.

(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, 2005.

(A) **CONSERVATION OF ENERGY** : The Directors have 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 under:

(1) ELECTRICITY	<u>2004 - 2005</u>	<u>2003 - 2004</u>
Consumption of Total Unit	224963	103287
Consumption in Rupees	10,86,658	5,20,163
Average Rate per Unit	4.83	5.04
(2) FURNACE OIL	<u>2004 - 2005</u>	<u>2003 - 2004</u>
Consumption of Total Unit	219860	104010
Consumption in Rupees	30,66,281	13,03,666
Average Rate per Unit	13.95	12.53

(B) TECHNOLOGY ABSORPTION :

EXPANSION : The Aluminum wire rod plant which was purchased during the last year has been installed and has commenced the commercial production during the year under review.

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(C) FOREIGN EXCHANGE EARNING & OUTGO	2004-2005	2003 - 2004
	Rs.	Rs.
Foreign Exchange Earning (FOB)	0.42 Lacs	3.49 Lacs
Foreign Exchange Outgo	1010.09 Lacs	638.39 Lacs

- (6) **FIXED DEPOSIT:** The Company has not accepted any fixed deposit from the public during the financial year 2004 - 2005.
- (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 have 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 sufficient 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 have 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 2004-2005.
- (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 July, 2005

By order of the Board
Kiran B. Agrawal
Director

MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS
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 2005, 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 purpose 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 the books.
 - (iii) The Balance Sheet and 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 the written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005, 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 the affairs of the Company as at 31st March, 2005.
 - (b) In the case of Profit & Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of Cash Flow statement of the cash flows of the Company for the year ended on that date

FOR MADHUSUDAN C. MASHRUWALA & CO.
 CHARTERED ACCOUNTANTS

AHMEDABAD

(U. M. MASHRUWALA)
 PARTNER
 MEMBERSHIP NO. 38254

Date : 28th July, 2005

Annexure to Auditor's Report of Palco Metals Limited Referred to in paragraph 3 of our report of even date,

- (i) (a) The Company has maintained proper records showing full 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) During the year, the company has disposed off a major part of the old plant and machinery and the company has replaced with new plant and machinery.
- (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 had not granted any loan Secured or Unsecured to Companies firm or other parties, covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4c(iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (b) The Company has not granted any loan to Companies, firm and other parties, hence the provisions of clause 4(iii)(b) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company
- (c) The Company has not given any loan hence the provision of Clause 4(iii)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company has taken loan from one company for Rs. 71 lakhs covered in the register maintained under section 301 of the Companies Act, 1956.
- (f) In our opinion the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- (g) The payment of principal amount and interest are regular.
- (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 and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) The Company has not made any transactions that need to be entered in to the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has not made any transactions with above parties which are not reasonable.
- (vi) In our opinion and according to the information and explanation given to us the Company has complied with the provision of Section 58A,58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rule, 1975 with regard to the deposits accepted from the public.

- (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, wealth tax, service tax, excise duty, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, Service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-3-2005 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, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanation given to us we are of the opinion that the Company has not defaulted in repayment of dues to banks.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares.
- (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 Order 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 Order 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 loan.
- (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 issue.
- (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

Date : 28th July, 2005

(U. M. MASHRUWALA)
PARTNER
MEMBERSHIP NO. 38254