

29th
Annual Report
2004 - 2005

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PACE ELECTRONICS LIMITED

REGISTERED OFFICE

7, Swastik Society, Gulmohar Road,
Vile Parle (W), Mumbai - 400 056.

PACE ELECTRONICS LIMITED

BOARD OF DIRECTORS

Ashok Gupta	Chairman & Managing Director
Raj N Sureka	Director
Mohit Sureka	Director
Vinay B Poddar	Director
Vinod J Bansal	Director

REGISTERED OFFICE

7, Swastik Society
Gulmohar Road
Vile Parle (W)
Mumbai-400 056.

BANKERS

Corporation Bank
Oriental Bank of Commerce

AUDITORS

Jain Anil & Associates
Chartered Accountant

REGISTRAR & SHARE TRANSFER AGENT

Purva Sharegistry (India) Pvt. Ltd.
33, Printing House,
28-D, Police Court Lane
Fort, Mumbai - 400 001.

ANNUAL GENERAL MEETING

Date : 24th September, 2005
Time : 10.30 A.M.
Venue : Show Room No. 1 & 2, Konkord CHS Ltd.
N. S. Road No. 10, JVPD, Vile Parle (W),
Mumbai - 400 049.

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Members are requested to bring their copy of Annual Report at the time of Meeting

29TH ANNUAL REPORT 2004-2005**Notice**

Notice is hereby given that the Twenty Ninth Annual General Meeting of the members of **PACE ELECTRONICS LIMITED** will be held on Saturday, the 24th day of September, 2005 at 10.30 A.M. at Showroom No. 1 & 2, Konkord CHS Ltd., N. S. Road No. 10, JVPD, Vile Parle (W), Mumbai-400 049 to transact the following business as :

ORDINARY BUSINESS :

- 1 To receive, consider and adopt the Directors' Report and Audited Statement of Accounts for the year ended 31st March 2005.
- 2 To appoint Director in place of Mr. Mohit Sureka, who retires by rotation and being eligible offers himself for re-appointment.
- 3 To appoint Director in place of Mr. Raj Sureka, who retires by rotation and being eligible offers himself for re-appointment.
- 4 To appoint Auditors to hold the office from the conclusion of this Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- 5 To consider and if thought fit to pass with or without modifications the following resolution as an ordinary resolution :

"RESOLVED THAT Pursuant to the provisions of Section 260 and all other applicable provisions of the Companies Act, 1956 (the Act) and in terms of Article 87 of the Articles of Association of the Company, Mr. Vinay B Poddar, who was appointed as an Additional Director of the Company at the Board meeting held on 11th June, 2005 and who holds the office up to the date of this Annual General Meeting in terms of provision of section 260 of the Act, and in whose respect the Company has received a notice from a member under Section 257 of the Act, together with necessary deposit as mentioned in the said section, proposing the candidature of Mr. Vinay B Poddar for the office of Director of the Company be and is hereby appointed as Director of the Company."

- 6 To consider and if thought fit to pass with or without modifications the following resolution as an ordinary resolution :

"RESOLVED THAT Pursuant to the provisions of Section 260 and all other applicable provisions of the Companies Act, 1956 (the Act) and in terms of Article 87 of the Articles of Association of the Company, Mr. Vinod J Bansal, who was appointed as an Additional Director of the Company at the Board meeting held on 11th June, 2005 and who holds the office up to the date of this Annual General Meeting in terms of provision of section 260 of the Act, and in whose respect the Company has received a notice from a member under Section 257 of the Act, together with necessary deposit as mentioned in the said section, proposing the candidature of Mr. Vinod J Bansal for the office of Director of the Company be and is hereby appointed as Director of the Company."

- 7 To consider, and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT Pursuant to the provisions of Section 198, 269, 309, 310 and 311 Schedule XIII and all other applicable provisions of the Companies Act, 1956, (The Act) or any re-enactment thereof and in terms of Articles of Association of the Company and subject to other approvals, consents, sanctions and permissions as may be required in connection with this, Mr. Ashok Gupta be and is hereby appointed as the Chairman & Managing Director of the Company for the period of 3 years with effect from 1st June, 2005 upon the terms, conditions and stipulations contained in the Draft Agreement to be entered into with him by the Company and copy of which submitted to this meeting for approval, be and is hereby approved with the liberty

PACE ELECTRONICS LIMITED

to the Board of Directors (The Board) to alter and vary the terms and conditions of the said Agreement from time to time and in such manner as may be agreed to by the Board and Mr. Ashok Gupta but so as not to exceed the limits specified in Schedule XIII to the Act or any amendments thereto or re-enactments thereof with effect from such dates as may be decided by the Board."

"RESOLVED FURTHER THAT wherein any financial year during the tenure of Mr. Ashok Gupta, as Chairman & Managing Director, the Company has no profit or its profits are inadequate, the Company shall pay minimum remuneration starting from 1st September, 2005 to Mr. Ashok Gupta by way of salary, perquisites and any other allowances, such amount not exceeding the ceiling limit of Rs. 3,00,000/- per annum or Rs. 25,000/- per month, or within such ceiling limits as may be prescribed under Schedule XIII to the Act from time to time, or the Companies Act as may be recodified. The following perquisites however shall not be included in the computation of the ceiling for minimum remuneration :

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (c) Encashment of leave at the end of tenure."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take all necessary and desirable steps and to do all such acts, deeds, matters and things as may be considered necessary, desirable, expedient for the purpose of effectuating the re appointment of Mr. Ashok Gupta as the Chairman & Managing Director and matters incidental thereto."

- 8. To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956. Articles of Association of the Company (the Articles) be and are hereby amended and altered in the following manner :

- (a) - that In Article 2 of the Articles, the following interpretations shall be inserted at the appropriate places.

"Beneficial Owner" means the beneficial owner as defined in the clause (a) of sub-section (1) of section 2 of the Depositories Act, 1996.

"By-laws" means by-laws made by Depository under section 26 of Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996 including any statutory modification or re-enactment thereof for the time being in force.

"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section 1(A) of Section 12 of the Securities and Exchange Board of India Act, 1956.

"Records" include the records relating to the Companies maintained in the books or registers or stored in a Computer or on diskettes or floppies or in such other form as may be determined by the Regulations.

"Regulations" means the regulations made by the SEBI Board.

"SEBI Board" means the Securities and Exchange Board of India.

- (b) - that In Article 11 of the Articles, the following provision shall be entered at the end of the paragraph.

Provided however that no share certificate(s) shall be issued to shares held by a Depository.

- (c) - that following new Article be inserted after existing Article 11 and be numbered as Article 11A.

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11A. The Company shall maintain a "Register of Transfers" and therein shall be fairly and distinctly entered, particulars of every transfer or transmission of any share held in the material form.

The Company shall cause to be kept a Register and Index of Members and/or Debenture holders in accordance with Section 150 and 151 of the act and the Depositories Act, with details of shares/debentures held in material and dematerialized forms, in any media (including electronic media) as may be permitted by law. The Register and Index of Beneficial Owners maintained by a Depository under section 11 of the Depositories Act, shall be deemed to be the Register and Index of Members holding shares in a dematerialized form, for the purpose of the act. The Company shall be entitled to keep in any state or country outside India, a branch Register of Members resident in that State or Country.

(d) – that following new Article be inserted after existing Article 46 and be numbered as Article 42A.

42A. NOMINATION

- 1) Every shareholder or debenture holder of the Company may, at any time, nominate in the prescribed manner, a person to whom his shares or debentures of the company shall vest in the event of his death.
 - 2) Where the shares or debentures of the company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
 - 3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares or debentures of the Company, the nominee shall, on the death of the shareholder or debenture-holder or as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.
 - 4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.
 - 5) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect either :
 - a) to be registered himself as holder of the shares or debentures, as the case may be ; or
 - b) to make such transfer of the shares or debentures, as the case may be, as the deceased shareholder or debenture holder, could have made.
 - 6) If the nominee elects to be registered as holder of the shares or debentures himself as the case may be, he shall deliver or send to the Company, a notice in writing stating that he so elects and such notice shall be accompanied by the death certificate of the deceased shareholder or debenture-holder as the case may be.
 - 7) A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the shares or debentures except that he shall not, before being registered as a member in respect of his shares or debentures, be entitled in respect of it to exercise any right conferred by membership in relation to meeting of the Company.
 - 8) Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not completed with within ninety days, the Board may thereafter withhold the payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the shares or debentures, until the requirements of the Notice have been complied with.
- (e) – that following new Article be inserted after new inserted Article 42A and be numbered as Article 42B.

PACE ELECTRONICS LIMITED**42B. DEMATERIALISATION OF SECURITIES**

(I) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its Depositories Act and the Rules framed there under. Additionally, on the investor exercising an option to hold his / her securities with a depositories in a dematerialized form, the Company shall enter into an agreement with a depository to enable the investor to dematerialize his / her securities, in which event the rights and obligations of the parties concerned shall be governed by the "Depositories Act".

(II) Every person subscribing to securities offered by the Company shall have the option to receive security. Securities can at any time opt out of a depository, if permitted by the Law, in respect of securities in the manner provided in the Depositories Act, 1996, and the Company shall in the manner and within the time prescribed, issue to the beneficial owner, the required certificates of securities.

If a person opt to hold his securities with a depository, the Company shall intimate such depository, the details of allotment of the securities and on receipt of the information, the depository shall enter in its record, the name of allottee as the beneficial owner of the security.

- (III) (i) Notwithstanding anything contrary contained in the Act or these Articles, a depository shall be deemed to be the Registered Owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owner.
- (ii) Save as provided in Sub-clause I above, the Depository as the Registered Owner of the securities, shall not have any voting rights or any other rights in respect of the securities held by it.
- (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- (iv) Nothing contained in the Act or these Articles regarding the necessity of having a distinctive numbers for securities issued by the Company shall apply to Securities held with a Depository.
- (v) All Securities held by a depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153, 153(A), 153(B), 187(B) and 187(C) of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.
- (vi) Notwithstanding anything contained in the Act or these Articles, in the case of transfer or transmission of the securities, where the Company has not issued any certificates and where such securities are being held in the electronic and fungible form with a depository, the provisions of the Depositories Act, 1996 shall apply.
- (vii) Notwithstanding anything in the Act or these Articles to the contrary, where the securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (viii) Notwithstanding anything in the Act or these Articles to the contrary, where the securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- (ix) Notwithstanding contained in the Act, or these Articles regarding the necessity of having distinctive numbers for a securities issued by the Company shall apply to securities held with depository.
- (x) If a beneficial owner seeks to opt out of a depository in respect of any Security, the beneficial owner shall inform the depository accordingly, The Depository shall on receipt of such intimation, make appropriate entries, in its record and shall inform the Company. the Company shall within 30 (thirty) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulation, issue the certificate of securities to the beneficial owner or the transferee, as the case may be.

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- (xi) The Register and index of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for the purposes of the Act.
- (xii) Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as also the Beneficial Owner of the shares in records of the depository as the absolute owner thereof as regards receipt of dividends or Bonus or serve of Notices and all or any other matters connected with the Company and accordingly, the Company shall not, except as ordered by the Court of competent jurisdiction or as by law required, be bound to recognize any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have expressed or implied notice thereof.
- (xiii) No stamp duty would be payable on shares and securities held in dematerialized form in any medium as may be permitted by law including any form of electronic medium.
- (xiv) In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a depository, the provisions of the Depositories Act, 1996 shall apply."

Mumbai, July 30, 2005

By order of the Board
For **PACE ELECTRONICS LTD.**

Registered Office :
7, Swastik Society, Gulmohar Road,
Vile Parle (W), Mumbai-400 056.

ASHOK GUPTA
Chairman & Managing Director

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. A PROXY NEED NOT BE A MEMBER. PROXY FORM IS ENCLOSED HERewith. PROXIES TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Member and the Share Transfer Books of the Company will remain closed from 18th September 2005 to 24th September 2005 (both days inclusive).
3. Members desirous of getting any information about the accounts of the Company are requested to send their queries so as to reach at-least ten days before the meeting at the Registered Office of the Company, so that the information required can be made readily available at the meeting.
4. Members are requested to intimate change in their address immediately to M/s Purva Sharegistry (India) Pvt. Ltd., the Company's Registrar and Share Transfer Agents, at their office at 33, Printing House, 28-D, Police Court Lane, Fort, Mumbai - 400 001.
5. Members holding shares in the same set of names under different folios are requested to apply for consolidation of such folios along with relevant Share Certificates to M/s Purva Sharegistry (India) Pvt. Ltd., Registrar and Share Transfer Agents of the Company, at their address given above.
6. Members are requested to bring copies of Annual Report to the Annual General Meeting.
7. The Members/Proxies should bring the attendance slip duly filed in and signed for attending the meeting.
8. Members are requested to quote Folio Number in their correspondence.

PACE ELECTRONICS LIMITED

9. The Equity shares of the Company are listed on The Stock Exchange, Mumbai and Listing Fees for the financial year 2005-2006 have been paid to The Stock Exchange, Mumbai.

Mumbai, July 30, 2005

By order of the Board
For **PACE ELECTRONICS LTD.**

Registered Office :

7, Swastik Society, Gulmohar Road,
Vile Parle (W), Mumbai-400 056.

ASHOK GUPTA
Chairman & Managing Director

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

Item No. 5 & 6

The Board of Directors of your Company appointed Mr. Vinay B Poddar and Mr. Vinod J Bansal as Additional Directors at the Board meeting held on 11th June 2005 to broad base the Board.

Mr. Vinay B Poddar and Mr. Vinod J Bansal have vast knowledge and rich experience in the business of Textile Goods and it will be advantageous for the Company to avail their valuable services and rich experience. Your Company has received notices from members pursuant to section 257 of the Act, 1956 together with necessary deposit proposing the candidature of Vinay B Poddar and Mr. Vinod J Bansal for the office of Director of the Company.

Except Mr. Vinay B Poddar and Mr. Vinod J Bansal in their respective appointments, no other Director is concerned or interested in their appointment as Directors of the Company.

Item No. 7

The Board of Directors at their meeting held on 1st June, 2005 considered and approved appointment of Mr. Ashok Gupta as Chairman & Managing Director of the Company for a period of three years, commencing from 1st June 2005, pursuant to the provisions of Section 198, 269 309, 310 and 311 and other applicable provisions of and subject to the limits of schedule XIII to the Companies Act, 1956.

Mr. Ashok Gupta is managing the affairs of the Company and he is playing a prominent role in the Company's future endeavors and activities. The Board of Directors considers that services of Mr. Ashok Gupta as Chairman & Managing Director should benefit to the Company.

The terms and conditions of re-appointments and payment of Remuneration to Mr. Ashok Gupta as Chairman & Managing Director are as follows :

- 1) **Period of Appointment :** Three years with effect from 1st June, 2005.
- 2) **Salary :** Monthly salary at the rate of Rs. 25,000/- (Rupees Twenty-Five Thousands Only) payable on the last working day of each calendar month w.e.f. September 2005, subject to the deduction of all the taxes which the Company is required to deduct.
- 3) **Perquisites:**
 - a) Company's car with Chauffeur or expenses for the upkeep of a car, which will be borne by the Company.
 - b) Reimbursement of expenses incurred on telephone installed at his residence.
 - c) Fees for club, subject to maximum of two clubs, except life membership fees or admission fees.
 - d) Any other scheme that may in future be formulated to the benefit of employees in the senior executive cadre of the Company.

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Total monetary value of the above Perquisites will be evaluated as per the Income Tax Rules and subject to such ceiling as may be prescribed by the Central Government.

4) Minimum Remuneration :

Wherein the Company has no profits or its profit is inadequate, the Company shall pay minimum remuneration to Mr. Ashok Gupta by way of salary, perquisites and any other allowances, such amount not exceeding the ceiling limit of Rs. 3,00,000/- per annum or Rs. 25,000/- per month, or within such ceiling limits as may be prescribed under Schedule XIII to the Act from time to time, or the Companies Act as may be recodified. The following perquisites however shall not be included in the computation of the ceiling for minimum remuneration.

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (c) Encashment of leave at the end of tenure.

The above-mentioned remuneration (including perquisites and all the amenities) shall be paid and allowed as Minimum Remuneration for any year in the absence or inadequacy of profits in any year.

The Resolution set out in item No. 9 and the Explanatory Statement hereto may be treated as an abstract and Memorandum of terms and conditions under Section 302 of the Companies Act, 1956.

The Draft Agreement containing the terms and conditions for appointment and payment of remuneration payable to Chairman & Managing Director is available for inspection at the Registered Office of the Company on any working day between 10.00 A.M. to 4.00 P.M.

Except Mr. Ashok Gupta himself, no other Director is concerned or interested in appointment of Mr. Ashok Gupta as Chairman & Managing Directors of the Company.

Item No. 8

By the Companies (Amendment) Act, 1999 the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company shall vest in the event of his death. To give effect to this, it is proposed to include Articles providing for "NOMINATION" in the Articles of Association of the Company.

Consequent upon the enactment of the Depositories Act, 1996 and the introduction of the system of Depositories (the system), certain provisions of the Companies Act, 1956 and of the Securities Contracts (Regulations) Act, 1956 relating to the issue, holding, transfer and transmission of shares and other securities and also issue of relevant certificates thereof. Articles of Association of your Company are proposed to be amended to facilitate the implementation of the system.

Pursuant to the provisions of Companies Act, 1956, a Company may by a special resolution, alter its Articles of Association. Accordingly your Directors recommend resolution at item no. 8.

None of the Directors of the Company is concerned or interested in the said resolution except to the extent of his shareholding.

A copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office between 10.00 a.m. to 4.00 p.m. on any working day

Mumbai, July 30, 2005

By order of the Board
For PACE ELECTRONICS LTD.

Registered Office :

7, Swastik Society, Gulmohar Road,
Vile Parle (W), Mumbai-400 056.

ASHOK GUPTA
Chairman & Managing Director