

*18<sup>th</sup>*  
*Annual Report*  
*2005 - 2006*

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**Shree Pacetronix Ltd.**

Technology Serving Humanity

An ISO-9001 Company

## ANNUAL REPORT

**BOARD OF DIRECTORS** :

Shri Atul Kumar Sethi	Managing Director
Smt. Amita Sethi	Whole time Director
Shri Sushil Patni	Non Executive Independent Director
Shri Bansilal Baid	Non Executive Independent Director
Shri Praveen Badjarya	Non Executive Independent Director

**BANKER** :

BANK OF INDIA  
Santha Bazar, INDORE

**AUDITORS** :

M/s S. R. Naredi & Co  
Chartered Accountants  
204, Manas Bhawan Extn (New Wing)  
11, R. N. T. Marg  
INDORE - 452001

**REGD. OFFICE & FACTORY** :

Plot No. 15, Sector II  
Industrial Area  
Pithampur Dist. Dhar (M.P.) 454775

**SHARE TRANSFER AGENT** :

Ankit Consultancy Private Limited  
Alankar Point, II Floor,  
A. B. Road, INDORE - 452001

**NOTICE**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Shree Pacetronix Limited will be held on Saturday, the 30th September, 2006 at 11.00 a. m. at the Registered Office of the Company at Plot No. 15, Sector II, Pithampur Dist. Dhar (M.P.) to transact the following business :

**ORDINARY BUSINESS**

1. To consider, approve and adopt the Audited Balance Sheet as at 31st March 2006, Profit & Loss Account for the year ended 31st March, 2006 and Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Sushil Patni who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

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

"RESOLVED THAT Shri Bansi Lal Baid be and hereby appointed as the Director of the Company whose period of office will be liable to be determined by retirement by rotation.

RESOLVED FURTHER THAT the Board be and is here by authorized to do all the needful acts, deeds, matters and things to give effect to this resolution."

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

"RESOLVED THAT Shri Praveen Badjatya be and hereby appointed as the Director of the Company whose period of office will be liable to be determined by retirement by rotation.

RESOLVED FURTHER THAT the Board be and is here by authorized to do all the needful acts, deeds, matters and things to give effect to this resolution."

For and on behalf of the Board

(ATUL KUMAR SETHI)

Managing Director

Place : PITHAMPUR

Dated : 04-Sep.-2006

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 29th September, 2006 to Saturday, the 30th September, 2006 (both days inclusive).
4. Members are requested to notify immediately any change in their address to their respective Depository participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at M/s Ankit Consultancy Pvt. Ltd. Alankar Point, A.B. Road, II Floor, A.B. Road, Indore-452 001.
5. The Members are requested to :
  - (a) Intimate changes, if any, in their registered address immediately.
  - (b) Quote their ledger folio number in all their correspondence.
  - (c) Bring their copies of Notice with them at the General Meeting
  - (d) Hand over the enclosed attendance slip, duly signed in accordance with their specimen signatures registered with the company for admission to the meeting place

6. Members desirous of obtaining any information/details as regard accounts and operations of the Company are requested to write to the Company at least 7 days before the meeting to enable the Company to keep the required information ready at the time of the meeting.
7. The report on the Corporate Governance is also annexed to the report of the Directors.
8. The Explanatory Statement setting out the material facts concerning the special business of the Notice, as per the requirements of Sec. 173 of the Companies Act is annexed herewith.

### EXPLANATORY STATEMENT

( Pursuant to Section 173 (2) of the Companies Act, 1956 )

#### Explanatory Statement for item 4 of Notice

The Board in terms of Section 260 of the Companies Act appointed Shri Bansi Lal Baid as Additional Director of the Company in the Board Meeting held on 30<sup>th</sup> December, 2005. Now, the Company has received a valid notice from the member in term of Section 257 of the said Act proposing to appoint him as a Director to retire by rotation in the ensuing Annual General Meeting. This appointment requires approval of the members in the general meetings as per the provision of the said Act. Therefore your Directors recommend this resolution. However, none of the Directors, except Shri Bansi Lal Baid himself be deemed as concerned or interested in the resolution.

#### Explanatory Statement for item 5 of Notice

The Board in terms of Section 260 of the Companies Act appointed Shri Praveen Badjatya as Additional Director of the Company in the Board Meeting held on 30<sup>th</sup> December, 2005. Now, the Company has received a valid notice from the member in term of Section 257 of the said Act proposing to appoint him as a Director to retire by rotation in the ensuing Annual General Meeting. This appointment requires approval of the members in the general meetings as per the provision of the said Act. Therefore your Directors recommend this resolution. However, none of the Directors, except Shri Praveen Badjatya himself be deemed as concerned or interested in the resolution.

#### DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Name of Director	Shri Bansi Lal Baid
Fathers Name	Shri Khyali Lal Baid
Date of Birth	21-11-1929
Nationality	Indian
Date of Appointment	30-12-2005
Expertise in specific functional areas	More then 35 years. experience in Management and as Union Leader for Indore Textile Mills.
Directorship held in other companies	---
Committee position held in the Company	Member : Audit and Remuneration Committee
Name of Director	Shri Praveen Badjatya
Fathers Name	Shri Shanti Lal Badjatya
Date of Birth	21-08-1964
Nationality	Indian
Date of Appointment	30-12-2005
Expertise in specific functional areas	More then 20 years. experience in Commercial business.
Directorship held in other companies	---
Committee position held in the Company	Member : Investors' Grievance, Audit and Remuneration Committee.

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2006.

**FINANCIAL RESULTS**

(Rs. In Lacs)

	31.03.2006	31.03.2005
Turnover including other Income	424.37	413.06
Profit before interest & depreciation	78.63	79.52
Interest & other charges	5.47	6.75
Depreciation	32.70	29.45
Profit before Tax	40.46	34.32
Less : Provision for Tax :		
Current Tax	16.47	10.38
Deferred Tax	-2.01	2.17
Net Profit after Tax	23.06	21.77

**DIVIDEND**

In order to plough back the resources, your Directors have decided not to recommend any dividend for the year ended 31st March, 2006.

**PERFORMANCE REVIEW**

During the year under review, the Company has achieved a turnover of Rs. 424.37 Lacs as against Rs. 413.06 Lacs in the previous year and earned net profit after tax of Rs. 23.06 Lacs as compared to the Rs. 21.77 Lacs in the previous year reflecting a steady growth over the previous year.

Your Directors are happy to report that the steady increase in the turnover and profitability is due to product improvement, better marketing strategy and cost controls at various levels. The Company has made strides in the development of new product such as Neurostimulators and Titanium Dental implants. These should be launched in the current year to enhance further the profitability of the Company.

**EXPORTS**

During the year under review, your Company has achieved Export Turnover of Rs. 17.60 Lacs.

**FUTURE OUTLOOK**

The Company has been manufacturing quality pacemakers over the last 14 years and has achieved substantial growth, in the domestic as well in the export market.

The R & D department of the Company is developing various new products and critical components to reduce the dependence on import. With the improved quality of pacemakers, the demand of the products manufactured by your Company is expected to grow with a faster pace which will lead to higher profitability in the years to come.

**DIRECTORATE**

Mr. Sushil Patni retire by rotation and being eligible offers himself for reappointment. Mr. N.K. Sethi and Dr. S.K. Sethi have been resigned during the year under review and the Board expressed its sincere gratitude to the services rendered by both of them.

Mr. Bansilal Baid and Mr. Praveen Badjatya who were appointed as Additional Directors of the Company and further their nominations have been received in respect of appointment of Mr. Bansilal Baid and Mr. Praveen Badjatya under the provision of section 257 of the Act proposing to appoint these two additional directors as regular directors by the members in the ensuing Annual General Meeting. There is no other change in the Directorate of the Company during the year under review.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board confirms that :

- (a) The financial statements are in full conformity with the requirements of the Companies Act, 1956, and applicable accounting standards have been followed along with proper explanation relating to material departure.
- (b) The directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year under review.
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The Directors have prepared the Annual Accounts for the financial year ended 31<sup>st</sup> March 2006 on going concern basis.

### **AUDITORS AND AUDITORS' REPORT**

M/s S. R. Naredi & Co. Chartered Accountants, Indore retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under section 224 (1-B) of the Companies Act, 1956. The observations of the Auditors made in their Auditors' Report are suitably explained in the Notes to the Accounts.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO.**

The details required under section 217 (1) (e) of The Companies Act, 1956 are given in the annexure and forms part of this report.

### **PUBLIC DEPOSITS**

During the year, the Company has not accepted any public deposits within the meaning of Section 58A of The Companies Act, 1956 and the rules made thereunder.

### **CORPORATE GOVERNANCE**

A report on corporate governance is enclosed containing details as required by the listing agreement which is forming part of the report of the Board of Directors.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis report covering the matters listed in Clause 49 of the Listing Agreement for the Year under review is given as a separate statement in the Annual Report.

### **LISTING & LISTING FEES**

The Equity Shares of the Company continue to be listed at Bombay Stock Exchange Ltd., Mumbai and the Annual Listing fees for the year 2006-07 has been duly paid and Delisting application have been filed with Madhya Pradesh Stock Exchange, Indore.



**SUBSIDIARY COMPANY**

As required under section 212 of the Companies Act, 1956, the Audited Accounts together with the reports of the Directors and Auditors are attached.

**HUMAN RESOURCES**

The relations with the employees continued to be cordial and satisfactory throughout the year. Your Directors wish to place on record their deep sense of appreciation for the devoted services, of all employees of the Company for their sustained efforts in improving the operational efficiencies.

**PARTICULARS OF EMPLOYEES**

None of the employees, of the Company is covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and amendments thereto from time to time.

**APPRECIATION**

Your Directors wish to place on record their appreciation for the continued co-operation and support given to the Company by its Customers, Shareholders, Bankers, Central & State Governments including all those associated with the Company.

For and on behalf of the Board

(ATUL KUMAR SETHI)

(Chairman & Managing Director)

Place : PITHAMPUR

Dated : 04-Sep.-2006

**ANNEXURE TO THE DIRECTORS' REPORT**

(As required under section 217 (1) (e) of the Companies Act, 1956)

**I. CONSERVATION OF ENERGY**

The Company continued its efforts to conserve energy by installing various equipments and utilities. Regular inspection of such equipments have been carried out. The above measures have resulted in controlling of energy consumption.

**FORM - A**

Form for disclosure of particulars with respect to conservation of energy.

**31.03.2006****31.03.2005****A. POWER & FUEL CONSUMPTION****1. Electricity**

(a) Purchased		
Units (Nos.)	82,399	82,665
Total Amount (Rs.)	6,17,510	5,97,012
Rate/Unit (Rs.)	7.49	7.22

**(b) Own Generation****(i) Through diesel generator**

Units (Nos.)	NIL	NIL
Units/litre of diesel oil (Nos.)	NIL	NIL
Cost/Unit (Rs.)	NIL	NIL

**(ii) Through steam Turbine/generator**

	NIL	NIL
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**2. Coal**

	NIL	NIL
--	-----	-----

**3. Furnace Oil**

	NIL	NIL
--	-----	-----

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Production of Pacemakers (Nos.)	1,682	1,427
Electricity (Units)	49	58
Furnace Oil	NIL	NIL
Coal	NIL	NIL

**II. TECHNOLOGY ABSORPTION****FORM - B**

Form for disclosure of particulars with respect to absorption.

**RESEARCH AND DEVELOPMENT (R & D)**

- |  |   |
|--|---|
| 1. Specific areas in which R & D carried out by the Company. | The Company is developing various components in-house.            |
| 2. Benefits derived as a result of the above R & D.          | Reducing dependence on the import and improvement in the quality. |
| 3. Future plan of action.                                    | To continue R & D for new products & indigenisation.              |
| 4. Expenditure on R & D.                                     | Charged to respective head of accounts.                           |

**TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

- The efforts have been made towards Technology absorption & adoption of Technology received from M/s. Bio-Pace Technology Inc., USA for the manufacture of Cardiac Pacemakers.
- Benefits derived as a result of above efforts i. e. product improvement, cost reduction, product development, import substitution etc. in the manufacturing of Cardiac pacemakers.
- In case of Imported Technology (Imported during last 5 years reckoned from beginning of the financial year) following information be furnished :
 

(a) Technology imported	IN FULL
(b) Year of import	1992-93
(c) Has Technology been fully absorbed ?	Yes
(d) If not fully absorbed areas where this has not taken place, reasons thereof & future plan of action.	N. A.

**III. FOREIGN EXCHANGE EARNINGS AND OUT GO****(Rs. in Lacs)****31/03/2006      31/03/2005**

1. Foreign Exchange earned :		
- FOB Value of Exports	17.61	35.44
- Job Work	0.00	0.60
2. Foreign Exchange used : CIF Value of import of		
- Raw Materials	123.35	135.48
- Capital Goods	3.95	1.96
3. Foreign Travels :		
- Directors & Others	4.85	9.14



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### (a) Industry Structure and Development

The Company is engaged in manufacturing and marketing of different types of Pacemakers. There has been growing demand of the products manufactured by your Company.

### (b) Highlights of Performance

The same has been given in the Directors Report under the heading performance review.

### (c) Opportunities and Threats/Risk and Concerns

With the growing awareness about the healthcare in the country, there are vast opportunities for the products of the Company. There are some threats from the global competitors.

### (d) Internal Control System

The Company has proper internal control system which provides adequate safeguards and effective monitoring of the transactions.

### (e) Human Resources

Various initiatives have been taken to enhance the skills, knowledge and competency of the employees. The industrial relations remained harmonious throughout the year.

### (f) Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the Company's objectives, expectations or predications may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could influence the Company's operations include competition, government policies and regulations.

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is a system and pattern of transparent and democratic functioning by which operations and management of a business corporation is directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities amongst the participants in the corporation, such as, the Board, Managers, Shareholders and spells out the rules and regulations for making decisions on corporate affairs.

The Company believes that transparency, empowerment, accountability and integrity are the fundamental principles of Sound Corporate Governance. This philosophy has guided the operations and the functioning of the Company. Our Corporate Governance philosophy stems from our belief that the business strategy and plans should be consistent and growth oriented adequately taking care of welfare of all the stakeholders. The company believes that all its actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

The Company has complied with the requirements of the Corporate Governance Code in terms of Clause 49 of the Listing Agreement.

### 2. BOARD OF DIRECTORS

6 meetings of the Board were held during the year on 29-4-05, 29-07-05, 13-08-05, 30-10-05, 31-12-05, 28-01-06.

The particulars of directors are as follows :

Name of Director	Category of Directorship	No. of Board Meeting attended	No. of other Director ship	Committee Membership Member Chairman	
Shri A. K. Sethi	Mg. Director	6	2	---	---
Smt. Amita Sethi	W. T. Director	6	2	---	---
Shri Sushil Patni	Non-Executive	4	--	3	2
Shri Bansilal Baid	Non-Executive	2	--	2	--
Shri Praveen Badjatya	Non-Executive	2	--	3	--

**3. AUDIT COMMITTEE**

The audit committee consists of the following directors :-

Name of Director	No. of meetings held	No. of meetings attended
1. Shri Sushil Patni (Chairman)	04	04
2. Shri Bansilal Baid	04	02
3. Shri Praveen Badjatya	04	02

All the members of the committee are independent and possess knowledge of finance, accounts and company law. The functions of the Audit Committee are as per the Companies Act and Listing Agreement with stock exchange(s). These include approving and implementing the audit procedures, review of financial reporting system, internal control procedures and risk management policies.

**4. REMUNERATION COMMITTEE**

The Company pays remuneration to the Whole-time Directors while no sitting fees is paid to non-executive directors. The remuneration of the Whole-time Directors is decided by the Board of Directors and approved by the shareholders. The aggregate amount of the remuneration paid for the financial year 2005-06 is as under :-

Shri A. K. Sethi (Managing Director) - Rs. 9.60 Lacs

Smt. Amita Sethi (Whole-time Director) - Rs. 2.41 Lacs

The committee comprises of three independent directors as members as follows -

1. Shri Sushil Patni (Chairman)
2. Shri Bansilal Baid
3. Shri Praveen Badjatya

**5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE**

The Company has constituted a Shareholders' / Investors' Grievances Committee. The Members of the committee are as under :

1. Shri Atul Sethi (Chairman)
2. Shri Sushil Patni
3. Shri Praveen Badjatya

The Committee is to oversee the effective redressal of the complaints of the Shareholders such as transfer of shares, dematerialisation, non-receipt of balance sheet etc. The Committee also recommends steps to be taken for further improvement in the quality of service to the investors. The Share Transfer Agent/Company has sent replies to shareholders in respect of all the complaints received during the financial year.

**COMPLIANCE OFFICER**

Shri Hari Mohan Jha is the Compliance Officer in the company.

**6. GENERAL BODY MEETINGS**

The last three AGMs were held as per detail below :

Date of AGM	Relevant Financial year	Venue/location where held	Time of meeting
29-09-2003	2002-03	Registered office	11.00 a. m.
25-09-2004	2003-04	Registered office	11.00 a. m.
30-09-2005	2004-05	Registered office	11.00 a. m.

No special resolutions were passed through postal ballot in the last AGMs. No special resolutions requiring postal ballot are placed before the shareholders for approval at the forthcoming AGM.

**7. DISCLOSURES**

(a) Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished under Paragraph No. 9 of the Notes to the Accounts attached with the financial statement for the year ended March 31, 2006. The transactions with the related parties do not have potential conflict with the interests of the Company at large.

(b) There were no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

(c) Auditors Certificate on corporate governance is enclosed herewith.

**8. MEANS OF COMMUNICATIONS**

The Company publishes its quarterly results in accordance with the Stock Exchange Listing Agreement in newspapers viz. "Free Press" (English) and "Choutha Sansar" (Hindi).