

# **18th ANNUAL REPORT**

**2009-2010**

 **ARCEE INDUSTRIES LIMITED**

# **M A N A G E M E N T**

## **BOARD OF DIRECTORS**

SH. R.C. GUPTA

SMT. KRISHNA GUPTA

SH. S. P. KANODIA

SH. MANOJ GOYAL

SH. PANKAJ AGARWAL

CHAIRMAN & WHOLE TIME DIRECTOR

DIRECTOR

DIRECTOR

DIRECTOR

DIRECTOR

## **G.M. (FINANCE) & COMPANY SECRETARY**

SH. VISHESH CHUGH

## **AUDITORS**

M/s. Aggarwal & Mahajan

Chartered Accountants

80-S, Model Town

Hisar - 125 005 (Haryana)

## **BANKERS**

Punjab National Bank (Main Branch)

Sirsa Road, Hisar - 125 001 (Haryana)

## **REGD. OFFICE & WORKS**

7th K.M. Barwala Road

Talwandi Rana

Hisar - 125 001 (Haryana)

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## DIRECTORS' REPORT

To

**The Members,**

Your directors have pleasure in presenting the '18<sup>TH</sup> ANNUAL REPORT' together with the Audited Accounts of the Company for the year ending 31st March, 2010.

### 1. FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2009-2010	2008-2009
Sales and other income	2209	1865
Profit before depreciation	38	32
Depreciation for the year	26	22
Profit before income tax	12	10
Provision of Tax/Tax Paid	7	(4)
Profit/(Loss) after Tax	19	6
Balance brought forward	(157)	(163)
Balance Carried to the Balance Sheet	(138)	(157)

### 2. OPERATIONS

During the year the company has achieved Sales & Other Income of Rs. 2209.00 Lacs, which is approx. 18 % higher as compared to last year of Rs.1865.00 Lacs. During the year the company has earned profit before Tax of Rs. 11.51 lacs as compared to previous year's profit before tax of Rs.10.39 lacs. The company has been consistently trying to capture the local market. It is expected that the company in the near future will do better.

### 3. DIRECTORS

In accordance with the requirement of the Companies Act, 1956 and the Articles of Association of the Company, Sh. S. P. Kanodia retires by rotation being eligible and offer himself for reappointment.

### 4. MANAGEMENT DISCUSSION & ANALYSIS

The extreme volatility experienced in the global markets during 2008-2009 moderated to some extent during the year under review. However, uncertainty still looms large on the global business horizon. The developed economies of USA and Europe have pumped in trillions of dollars to stabilize their economies. The long term effects of these measures are yet to be seen. Volatility in commodity prices and foreign exchange rates is the order of the day. Though there are emerging signs of recovery, these are still not strong enough to instill confidence in the system as a whole. The economic crisis has hit countries like Greece and Iceland very badly and there is speculation about some other countries also facing similar crisis.

A delayed and sub-normal monsoon added to the overall uncertainty prevailing in the Indian economy at the beginning of the year under review. Despite this the Indian economy posted a remarkable recovery. The GDP growth tentatively assessed at over 6% is one of the highest in the world. The rural economy in India is fast growing giving an impetus to the demand for various products. Your Company's product i.e. PVC Pipes is mainly sold in the rural markets.

PVC Pipes are fast becoming the preferred mode of carrying water from the location of its source to the location of its use. Inversely, PVC Pipes are also useful for carrying the used water and sanitary waste towards the location of its disposal. Safety, reliability and strength -- the important attributes of PVC Pipes are gradually yet definitely finding favour with the users as well as government and quasi-

government authorities responsible for water and waste water management.

PVC Pipes business are to some extent dependent on the success of monsoon. The company does not foresee any possibility of a drastic reduction in demand over a longer period. Your company also does not perceive any serious threat from import of PVC Pipes because the high incidence of freight on PVC Pipes gives a natural protection to the domestic industry.

On the back of various Government initiatives to boost the rural economy, the demand for PVC Pipes has remained buoyant. It is expected that the Government will continue to give priority to agriculture and rural upliftment programmes in the years to come. This will ensure that demand for PVC Pipes will continue to remain strong.

The company has instituted adequate internal control procedure commensurate with the nature of its business and the size of its operations. Internal Audit is conducted at regular intervals and covers the key areas of operations. All significant audit observations and follow-up actions thereon are reported to the Audit Committee.

Your company's Industrial relations continued to be harmonious during the year under review. The focus is on maintaining employee motivation at a high level with stress on leadership development.

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expected or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, other statutes and other incidental factors.

#### **5. PARTICULARS OF EMPLOYEES**

During the year there was no employee in respect of whom information as per section 217 (2A) of the Companies Act, 1956 is required to be given in the Director's Report.

#### **6. FIXED DEPOSITS**

The company has not accepted any fixed deposits from the public in terms of provisions of Section 58A of the Companies Act, 1956 and rules made thereunder.

#### **7. PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.**

Information in accordance with the provisions of Section 217(1)(e) of Companies Act, 1956 read with Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the statement annexed hereto forming part of the Report.

#### **8. COMPLIANCE OF GUIDELINES OF SEBI/STOCK EXCHANGES**

Guidelines issued by SEBI/Stock Exchanges from time to time have been duly complied with. The share of the Company is listed at the Bombay Stock Exchange Ltd., Mumbai. The Company is regular in paying the Annual Listing Fees to the Bombay Stock Exchange Ltd., Mumbai,

#### **9. INSURANCE**

The Company's properties have been adequately insured.

#### **10. PERSONNEL**

The relations between the employees and the management continued to be cordial. Directors take this opportunity to place on record their appreciations for the devoted and loyal services rendered by all members of the staff and workers.

**11. DIRECTOR'S RESPONSIBILITY STATEMENT**

In pursuance to the provision of Section 217 (2AA) of the Companies Act, 1956 your Directors hereby declare :-

- (i) that in the preparation of the Annual Accounts for the Financial Year 2009-2010, the applicable Accounting Standards have been followed ;
- (ii) that the Directors have 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 of the company for that period ;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities ;
- (iv) that the Directors have prepared the enclosed Annual Accounts on a going concern basis.

**12. AUDITORS**

M/s. Aggarwal & Mahajan, Chartered Accountants retire and are eligible for reappointment. The Auditors have furnished to the Company the requisite certificate under section 224 (1B) of the Companies Act, 1956 that their appointment, if made, would be within the prescribed limit.

**13. AUDITORS OBSERVATIONS**

The auditors observations being self explanatory, have been duly explained in the notes to the accounts.

**14. AUDIT COMMITTEE**

The current Audit Committee has three members viz. Sh. S. P. Kanodia (Chairman), Sh. Manoj Goyal and Sh. Pankaj Agarwal. The terms of reference of the Audit Committee, covers the area mentioned in clause 49 of the Listing Agreement of the Stock Exchange and Section 292 A of the Companies Act, 1956.

**15. REMUNERATION COMMITTEE**

The remuneration Committee comprises of three independent directors viz., Sh. S. P. Kanodia (Chairman), Sh. Manoj Goyal and Sh. Pankaj Agarwal.

**16. CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report, Auditor's Certificate regarding compliance of conditions of Corporate Governance and declaration by Chairman for Compliance of Code of Conduct, form part of this Annual Report.

**17. ACKNOWLEDGMENT**

Your directors are pleased to place on record their sincere gratitude to the Government Authorities, Financial Institutions & Bankers for their continued and valuable co-operation and support to the Company.

Your directors express their deep appreciation for the devoted and sincere efforts put in by the members of the team at all levels of operations in the Company during the year. The company feels confident of continued co-operation and efforts from them in future also.

**FOR AND ON BEHALF OF THE BOARD**

**REGISTERED OFFICE**

7th K.M. Barwala Road  
Talwandi Rana, Hisar – 125 001

**Dated : August 24, 2010**

**( KRISHNA GUPTA )  
DIRECTOR**

**( R.C. GUPTA )  
DIRECTOR**

**ANNEXURE TO DIRECTOR'S REPORT :**

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A. CONSERVATION OF ENERGY**

The following measures have been taken by the company for conservation of energy :-

- (i) Improving power factor by proper choice of capacitors from time to time depending upon the load.
- (ii) Utilising the proper load of plant and equipments, electric motors etc.
- (iii) Reducing the maximum demand by properly distribution of load.

Total energy consumption and energy consumption per unit of production as Form 'A' is as under :-

**FORM 'A'**
**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**
**(A) POWER AND FUEL CONSUMPTION**

	CURRENT YEAR	PREVIOUS YEAR
<b>1. ELECTRICITY</b>		
a) Purchase units (KWH)	820068	764461
Total amount (Rs.)	3861800	3483196
Rate / unit (Rs.)	4.71	4.56
b) Own generation		
i) Through diesel generator		
Units (approx.)	312398	244105
Units per Ltr. of diesel oil	3.47	3.46
Cost / units (Rs.)	8.82	8.79
ii) Through steam turbine generator	N.A.	N.A.
2. COAL	N.A.	N.A.
3. FURNACE OIL (LIGHT DIESEL OIL)	N.A.	N.A.
4. OTHER INTERNAL GENERATION	N.A.	N.A.

**CONSUMPTION PER UNIT OF PRODUCTION**
**PRODUCTION OF RIGID PVC PIPES**

Unit (M.T.)	4823	4167
Electricity/tonnes (KWH)(APPROX.)	235	242
Furnace oil/ tonnes (Ltrs.)	-	-
Coal	-	-
Others	-	-

**B. TECHNOLOGY ABSORPTION**
**FORM 'B'**

<b>RESEARCH AND DEVELOPMENT (R&amp;D)</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
1. Specific areas in which R & D Carried out by the company.		
2. Benefits derived as a result of the above R & D.		
3. Future plan of action	<b>NIL</b>	<b>NIL</b>
4. Expenditure on R & D :		
a) Capital		
b) Recurring		
c) Total		
d) Total R & D expenditure as a percentage of total turnover		

**TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.		
2. Benefits derived as a result of the above efforts, e.g., production, product development import substitution etc.		
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year following information may be furnished).	<b>NIL</b>	<b>NIL</b>
a) Technology imported.		
b) Year of import.		
c) Has technology been fully absorbed		
d) If not fully absorbed, areas where this has not taken place reasons therefore and future plans of action.		

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

a) Activities relating to exports; initiative taken to increase export; development of new export markets for products and services; and export plans.	<b>NIL</b>	<b>NIL</b>
b) Total foreign exchange used and earned.		

**Corporate Governance Report for the Financial Year 2009-2010**
**1. A brief statement on Company's Philosophy on code of Governance :**

The basic philosophy of corporate governance in the company is:-

- Fair and transparent business practices.
- Effective Management Control by Board.
- Compliance of laws.
- Transparent and timely disclosure of Financial and Management information.
- Adequate representation of Promoter, Executive and Independent Directors on the Board.
- Accountability for performance.

**2. Board of Directors :**

The size and composition of the Board conforms to the requirements of the code on Corporate Governance under the Listing Agreement with the Bombay Stock Exchange Limited, Mumbai.

During the Financial Year 2009-2010, the Board of Directors met 6 times on: 29/04/2009, 30/07/2009, 24/08/2009, 29/10/2009, 29/01/2010 & 30/03/2010.

The information as required under annexure IA to clause 49 is made available to the Board in every meeting.

None of the directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a director. The necessary disclosures regarding Committee positions have been made by the directors.

**Constitution of the Board and related information :-**

Name of Director	Category	Outside Directorship	No. of Board meeting attended	Last Annual General meeting attended
Sh. R.C. Gupta	Promoter and Whole Time Director	2	6	Yes
Smt. Krishna Gupta	Promoter and Non-Executive Director	2	4	Yes
Sh. S.P. Kanodia	Independent and Non-Executive Director	3	5	Yes
Sh. Manoj Goyal	Independent and Non-Executive Director	1	5	Yes
Sh. Pankaj Agarwal	Independent and Non-Executive Director	6	6	No

**3. Code of conduct :**

The Board has laid down the code of conduct for the Board and Senior Management Team. The Board members and Senior Management team personnel have affirmed compliance with the code. The declaration dated 29/04/2010 received from Sh. R.C. Gupta, Director in this regard is given below :-

"I hereby declare that all board members of the company and senior management personnel have affirmed compliance with the code of conduct during the period from 1<sup>st</sup> April 2009 to 31<sup>st</sup> March, 2010".

**4. Audit Committee :**

The Company has an Audit Committee in accordance with the requirement



of section 292 A of the Companies Act, 1956 and terms of reference are in conformity with Clause 49 of the Listing Agreement.

The Audit Committee has three members viz. Sh. S.P. Kanodia (Chairman), Sh. Manoj Goyal and Sh. Pankaj Agarwal. All Members of the Audit Committee are financially literate.

During the Financial Year 2009-2010, the Audit Committee met 5 times on 29/04/2009, 30/07/2009, 24/08/2009, 29/10/2009 & 29/01/2010. The attendance of the members of the Committee is given below :-

Committee Members	Category	No. of Audit Committee Meetings Attended
Sh. S.P. Kanodia, Chairman	Non-Executive, Independent Director	5
Sh. Manoj Goyal, Member	Non-Executive, Independent Director	4
Sh. Pankaj Agarwal, Member	Non-Executive, Independent Director	5

The company secretary acts as the secretary of the Audit Committee.

#### 5. Remuneration Committee :

The Committee comprises of three members viz Sh. S.P. Kanodia, Chairman, Sh. Manoj Goyal and Sh. Pankaj Agarwal as the other two members.

**Remuneration Committee Meeting (Attendance) :** The remuneration committee met once during the year on 30/07/2009 and was attended by all the three members.

**Remuneration Policy:** The Whole Time Director is paid remuneration approved by the Board of Directors on the recommendation of Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the Annual General Meeting and such other authorities as the case may be. The Non-Executive Directors do not draw any remuneration from the company.

#### Remuneration paid to Sh. R.C. Gupta, Whole Time Director for the F.Y. 2009-2010 :

Salary (Rs.)	570000
Company's Contribution to PF (Rs.)	68400
Bonus (Rs.)	45000

**Note :** None of the non-executive directors has any pecuniary relationship or transaction vis-à-vis the company.

#### Shareholding of the Non-Executive Directors :

The shareholding of the Non-Executive Directors of the company as on 31/03/2010 is as under :-

S.No.	Name	No. of Shares held
1	Smt. Krishna Gupta	203902
2	Sh. S.P. Kanodia	NIL
3	Sh. Manoj Goyal	NIL
4	Sh. Pankaj Agarwal	NIL

#### 6. Share Transfer and Shareholders/Investors Grievances Committee :

The Committee comprises of two members viz. Sh. Manoj Goyal (Chairman) and Sh. Pankaj Agarwal, as a member.

The Committee ensures the effective redressal of the complaints of the shareholders such as dematerialisation, transfer, 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. No complaint was received from the shareholders during the Financial Year 2009-2010 neither was outstanding as on 31/03/2010.

In compliance to clause 47 (f) of the Listing Agreement of Stock Exchange, the company has created for the help of Investors an exclusive e-mail ID viz. arceeind@rediffmail.com.

The Company has appointed M/s. MAS Services Limited, T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi – 110 020 as Share Transfer Agent to give services to the shareholders holding shares in physical or dematerialisation form. All requests for dematerialisation of shares are processed and confirmations thereof are sent to the shareholders within the prescribed time.

The Company has appointed Sh. Vishesh Chugh, General Manager (Finance) & Company Secretary as the Compliance Officer to monitor the Share Transfer process, Dematerialisation/Rematerialisation and liaison with the regulatory bodies. The company has complied with the various requirements of the listing agreements and the depositories with respect to transfer of shares. The requisite certificates are sent to them within the prescribed time.

#### **7. General Body Meetings :**

The details of the location, date and time for last Three Annual General Meetings were held given in Table below :-

Year	Location	Date	Time
2006-07	7th K.M. Barwala Road, Talwandi Rana, Hisar-125 001 (Haryana)	Saturday, 29/09/2007	10:00 A.M.
2007-08	7th K.M. Barwala Road, Talwandi Rana, Hisar-125 001 (Haryana)	Saturday, 27/09/2008	10:00 A.M.
2008-09	7th K.M. Barwala Road, Talwandi Rana, Hisar-125 001 (Haryana)	Tuesday, 22/09/2009	10:00 A.M.

The details of special resolutions passed during last 3 years are given in table below :-

Sr. No.	Date of AGM	Item of special resolution
1	29/09/2007	None
2	27/09/2008	None
3	22/09/2009	None

There were no resolutions which have been passed by the shareholders through postal ballot at any of the above meetings. Further there is no item in the Notice for the forthcoming Annual General Meeting that is proposed to be passed through a Postal ballot.

**8. Disclosures:**

- i. No transaction of material nature has been entered into by the company with its promoters, directors or management or relatives etc. that may have potential conflict with the interest of the company. Transactions with related parties are disclosed in Schedule 16 to accounts in Annual Report.
- ii. There were no instances of non-compliance or penalty, strictures imposed on the company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to capital markets, during last three years.
- iii. The company has complied with all the mandatory requirement of clause 49 of the Listing Agreement.

**9. Means of Communication:**

The Board of Directors of the Company approves and takes on record the annual, half-yearly and quarterly Financial Results in the proforma prescribed by the Stock Exchanges. These results are promptly submitted to the Bombay Stock Exchange Limited, Mumbai, where the shares of the Company are listed. The same are also published in The Pioneer (Delhi Edition) and Danik Tribune (Regional Language) (Haryana Edition).

Management Discussion and Analysis Report forms part of this Annual Report.

**10. General Shareholder Information:**
**Annual General Meeting**

Day, Date & Time : Tuesday, 21st September, 2010 at 10.00 A.M.  
 Venue : 7th K.M. Barwala Road, Talwandi Rana, Hisar (Haryana)  
 Financial Year : April 2010 to March 2011

Results for the quarter ending June 30, 2010	By 15 <sup>th</sup> August, 2010
Results for the quarter ending September 30, 2010	By 15 <sup>th</sup> November, 2010
Results for the quarter ending December 31, 2010	By 15 <sup>th</sup> February, 2011
Results for the quarter ending March 31, 2011	By 15 <sup>th</sup> May, 2011
Annual General Meeting for the year ending March, 2011	By end of September, 2011

Book Closure	: 14/09/2010 to 21/09/2010 (Both days inclusive)
Listing on Stock Exchange	: The Bombay Stock Exchange Limited, Mumbai
Stock Code	: 520121
Demat ISIN Number	: INE276D01012
Market Price Data	: High, Low during each month in last financial year

MONTHS	HIGH PRICE	LOW PRICE
APRIL, 2009	3.09	2.81
MAY, 2009	5.14	3.22
JUNE, 2009	5.15	3.95
JULY, 2009	4.84	3.76
AUGUST, 2009	5.14	4.00
SEPTEMBER, 2009	4.89	4.00
OCTOBER, 2009	4.63	4.00
NOVEMBER, 2009	5.25	4.35
DECEMBER, 2009	4.96	3.64
JANUARY, 2010	4.85	3.81
FEBRUARY, 2010	4.60	4.00
MARCH, 2010	4.50	3.60

These data is from BSE Site : [www.bseindia.com](http://www.bseindia.com)

**Share Transfer Agent :**

All the works relating to the share registry both for the shares held in the physical as well in the electronic form (demat) are being done at the single point and for this purpose SEBI Registered Category - I Registrar and Share Transfer Agent has been appointed w.e.f. 01/04/2003 whose address is under :-

MAS Services Limited

T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi – 110 020

Shares received for transfer in the physical form are processed and the share certificates returned within a period of 30 days from the date of the receipt subject to the documents being complete and valid in all respects.

**Distribution of Shareholding:**

The Distribution of Shareholding as on 31<sup>st</sup> March, 2010 given in Table below :-

No. of equity shares held	Total share Holders	% of share holder	No. of shares held	% of share holding
Upto 500	5363	82.93	1102653	21.45
501 to 1000	620	9.59	521371	10.15
1001 to 5000	399	6.17	852794	16.60
5001 to 10000	35	0.54	259965	5.06
10001 to 50000	42	0.65	909229	17.69
50001 to 100000	4	0.06	274087	5.33
100001 and above	4	0.06	1218678	23.72
<b>TOTAL</b>	<b>6467</b>	<b>100.00</b>	<b>5138777</b>	<b>100.00</b>

Categories of Shareholders as on 31<sup>st</sup> March, 2010 given in Table below:-

Category	No. of Shares	% of Shareholding
Indian Promoters	1219707	23.74
Private Corporate Bodies	321290	6.25
Indian Public	3597780	70.01
<b>TOTAL</b>	<b>5138777</b>	<b>100.00</b>

Dematerialisation of Shares : As on 31<sup>st</sup> March 2010, 34,42,907 shares (67.00 %) are in Electronic Form and 16,95,870 shares (33.00 %) are in Physical Form.

Plant Location : 7<sup>th</sup> K.M. Barwala Road, Talwandi Rana Hisar – 125 001 (Haryana)

Address for Correspondence : Arcee Industries Limited  
7<sup>th</sup> K.M. Barwala Road, Talwandi Rana Hisar – 125 001 (Haryana)  
Email : arceeind@rediffmail.com

- Compliance Officer : The name and designation of the Compliance Officer of the company is Mr. Vishesh Chugh, G.M. (Finance) & Company Secretary.
- Compliance : Compliance certificate obtained from the Auditors is attached to this report.

**CEO/CFO CERTIFICATION**

As required by sub-clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended March 31, 2010, the Company has complied with the requirement of the said sub-clause.

For : ARCEE INDUSTRIES LIMITED

For : ARCEE INDUSTRIES LIMITED

( KRISHNA GUPTA ) (R.C. GUPTA)  
DIRECTOR DIRECTOR

(VISHESH CHUGH )  
G.M. (FINANCE) &  
COMPANY SECRETARY

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of  
Arcee Industries Limited

We have examined the compliance of conditions of Corporate Governance by Arcee Industries Limited for the year ended 31<sup>st</sup> March, 2010 as stipulated in Clause 49 of the Listing Agreement of the company with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and the Management, we certify that company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No.006545N

Place : Hisar  
Dated : August 24, 2010

( VINOD MAHAJAN )  
PROP.  
Membership No.083292

**AUDITORS' REPORT**

To  
The Members of  
**ARCEE INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **ARCEE INDUSTRIES LIMITED** as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow Statement 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we also report that :-
  - i) We have obtained all the informations 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 accounts as required by law have been kept by the Company so far as appears from our examination of the books ;
  - iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
  - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement 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, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March,

2010 from being appointed as 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 informations and according to explanations given to us, the said accounts read together with the Company's Accounting Policies and Notes thereto in Schedule "16" 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 Balance Sheet, of the state of affairs of the Company, as at, 31st March, 2010 ;
- 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 for the year ended on that date.

**FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No.006545N**

**Place : Hisar**

**Dated : August 24, 2010**

**( VINOD MAHAJAN)  
PROP.  
Membership No.083292**

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on verification. No substantial part of the Fixed Assets has been disposed off during the year.
2. The management has conducted physical verification of inventory at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) The company has granted unsecured loan to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 amounting to Rs.304.85 Lacs.  
(b) No interest has been charged on the outstanding amount as the arrangement is on current account basis and the amount is receivable on demand.  
(c) The payment of principal amount is also regular.  
(d) There is no overdue amount of loan granted to the company listed in the register maintained under section 301 of the Companies Act, 1956.
4. (a) The company has taken unsecured loan from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 amounting to Rs.1217.90 Lacs.  
(b) No interest has been paid on the outstanding amount as the arrangement is on current account basis and the amount is repayable on demand.  
(c) The payment of principal amount is regular.  
(d) There is no overdue amount of loan taken from the company listed in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods & services. During the course of our audit, no major weakness has been noticed in the internal controls.



6. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
  - (a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that needed to be entered into the register maintained under section 301, if any, have been so entered.
  - (b) According to the information and explanations given to us and where transactions is in excess of Rs. 5.00 lacs in respect of any party, if any, in our opinion, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market price at the relevant time.
7. The company has not accepted any deposits from the public.
8. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
9. The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the product of the company.
10. According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
11. According to the records of the company and information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other Statutory Dues, if any, with the appropriate authorities during the year.
12. The company have accumulated losses as at the end of the year which are not more than 50 % of its networth. Further the company has not incurred cash losses during current year and the immediately preceding financial year.
13. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of dues to financial institutions or banks. The company has not issued any debenture.
14. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

15. The Provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the Company.
16. (a) The company does not deal or trade in shares, securities, debentures and other Investments.  
  
(b) Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the company in its own name.
17. During the year the company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
18. According to the information and explanations given to us, the term loans raised by the company have been applied for the purpose for which they were raised.
19. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
20. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956, during the year and the question whether the price at which the shares have been issued is prejudicial to the interest of the Company does not arise.
21. The company did not have any outstanding debentures during the year.
22. The company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
23. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company was noticed or reported during the year.

**FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No.006545N**

**Place : Hisar  
Dated : August 24, 2010**

**( VINOD MAHAJAN )  
PROP.  
Membership No.083292**

**BALANCE SHEET AS AT 31ST MARCH, 2010**

PARTICULARS	SCHEDULE	31.03.2010		31.03.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	5,13,87,770		5,13,87,770	
Reserve and Surplus	2	<u>2,10,06,515</u>		<u>2,10,06,515</u>	
			7,23,94,285		7,23,94,285
<b>LOAN FUNDS</b>					
Secured Loans	3		91,18,110		1,91,77,169
Unsecured Loans			10,00,000		10,00,000
			<u>8,25,12,395</u>		<u>9,25,71,454</u>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross block	4	5,42,57,837		4,99,97,290	
Less up to date depreciation		<u>3,16,11,581</u>		<u>2,90,11,642</u>	
Net block			2,26,46,256		2,09,85,648
<b>INVESTMENTS</b>	5		16,63,367		15,18,587
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	6	1,89,78,249		1,45,04,066	
Sundry Debtors	7	2,83,66,567		2,59,47,406	
Cash and Bank Balance	8	87,45,820		34,99,298	
Loans and Advances	9	<u>99,62,269</u>		<u>1,22,83,335</u>	
		6,60,52,905		5,62,34,105	
Less : Current liabilities & provisions	10	<u>2,54,89,269</u>		<u>49,12,649</u>	
Net Current Assets			4,05,63,636		5,13,21,456
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off/adjusted)					
Profit & Loss Account			1,37,94,296		1,56,90,337
Deferred Taxation Assets			<u>38,44,840</u>		<u>30,55,426</u>
			<u>8,25,12,395</u>		<u>9,25,71,454</u>

**NOTES ON ACCOUNTS AS PER SCHEDULE '16'**

( VISHESH CHUGH )  
G.M. (FINANCE) &  
COMPANY SECRETARY

( R.C. GUPTA )  
DIRECTOR

( KRISHNA GUPTA )  
DIRECTOR

Signed in terms of our report of even date annexed hereto.

FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006545N

**For Arcee Industries Limited**

Place : Hisar  
Dated : August 24, 2010



**Director**

(VINOD MAHAJAN)  
PROP.  
Membership No. 083292

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 2010**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31.03.2010</b> Rupees	<b>31.03.2009</b> Rupees
<b>INCOME</b>			
Sales and other income	11	22,09,18,926	18,64,87,737
Closing stock of finished goods		53,40,821	82,15,940
		<u>22,62,59,747</u>	<u>19,47,03,677</u>
<b>EXPENDITURE</b>			
Opening stock of finished goods		82,15,940	25,45,375
Material manufacturing and operating expenses	12	18,96,13,558	15,73,01,396
Employees remuneration and benefits	13	49,59,465	47,92,818
Administrative selling and other expenses	14	11,44,543	23,22,911
Financial expenses	15	21,75,045	22,05,676
Depreciation		25,99,939	22,58,336
Excise Duty		1,64,00,668	2,22,37,986
		<u>22,51,09,158</u>	<u>19,36,64,498</u>
Profit for the year		11,50,589	10,39,179
Provision for Tax/Tax Paid			
- Income Tax		(43,962)	(70,088)
- Deferred Taxation		7,89,414	(3,65,844)
- Fringe Benefit Tax		-	(38,214)
Profit/(Loss) after tax		18,96,041	5,65,033
Previous (Loss) brought forward		(1,56,90,337)	(1,62,55,370)
Balance carried to Balance sheet		<u>(1,37,94,296)</u>	<u>(1,56,90,337)</u>

**NOTES ON ACCOUNTS AS PER SCHEDULE '16'**

( VISHESH CHUGH )  
G.M. (FINANCE) &  
COMPANY SECRETARY

( R.C. GUPTA )  
DIRECTOR

( KRISHNA GUPTA )  
DIRECTOR

Signed in terms of our report of even date annexed hereto.

**For Arcee Industries Limited**

FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006545N

Place : Hisar  
Dated : August 24, 2010



**Director**

(VINOD MAHAJAN)  
PROP.  
Membership No. 083292

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT & LOSS ACCOUNT**

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORIZED</b>		
1,00,00,000 equity shares of Rs 10/- each	<u>10,00,00,000</u>	<u>10,00,00,000</u>
<b>ISSUED SUBSCRIBED &amp; PAID UP</b>		
51,38,777 equity shares of Rs. 10/- each fully paid up in cash	<u>5,13,87,770</u>	<u>5,13,87,770</u>
	<u>5,13,87,770</u>	<u>5,13,87,770</u>
<b>SCHEDULE 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
<b>General Reserve</b>		
Opening	66,21,755	12,85,050
Add : Deferred Taxation Assets of earlier years	–	34,21,270
Add : Reversal of Deferred Liabilities of earlier years	–	19,15,435
	<u>66,21,755</u>	<u>66,21,755</u>
Capital Reserve (Profit on re-issue of forfeited shares)	90,500	90,500
Share forfeiture account	<u>1,42,94,260</u>	<u>1,42,94,260</u>
	<u>2,10,06,515</u>	<u>2,10,06,515</u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
Cash credit from Punjab National Bank, Hisar (Secured by way of hypothecation of stocks, Book debts, first charge on fixed assets of Hisar unit of the company and guaranteed by two Directors of the Company, net of current account balance)	74,13,865	1,86,12,394
Term Loan from Reliance Capital Ltd. (Secured by way of Hypothecation of car)	13,70,748	–
Term Loan from ICICI Bank Ltd. (Secured by way of Hypothecation of car)	3,33,497	5,64,775
	<u>91,18,110</u>	<u>1,91,77,169</u>

SCHEDULE 4

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 01.04.2009	ADDITIONS	SALE/ TRANSFER	AS ON 31.03.2010	UP TO 31.03.2009	FOR THE YEAR	TRANSFER/ ADJUST.	UP TO 31.03.2010	AS ON 31.03.2010	AS ON 31.03.2009
Land (freehold)	1,27,161	-	-	1,27,161	-	-	-	-	1,27,161	1,27,161
Land (leasehold)	9,90,610	-	-	9,90,610	1,35,757	10,005	-	1,45,762	8,44,848	8,54,853
Shed & building	78,11,201	-	-	78,11,201	37,79,573	2,60,894	-	40,40,467	37,70,734	40,31,628
Plant & machinery	3,51,47,393	15,76,830	-	3,67,24,223	2,27,22,755	16,74,348	-	2,43,97,103	1,23,27,120	1,24,24,638
Vehicles	41,88,222	26,68,116	-	68,56,338	12,77,240	5,50,835	-	18,28,075	50,28,263	29,10,982
Lab equipment	6,42,176	-	-	6,42,176	4,50,242	30,503	-	4,80,745	1,61,431	1,91,934
Furniture & fixture	6,81,988	-	-	6,81,988	4,75,494	33,509	-	5,09,003	1,72,985	2,06,493
Office equipments	1,36,677	-	-	1,36,677	41,283	6,492	-	47,775	88,902	95,394
Other Assets	-	15,600	-	15,600	-	642	-	642	14,958	-
Computer	2,71,863	-	-	2,71,863	1,29,298	32,711	-	1,62,009	1,09,854	1,42,565
<b>TOTAL</b>	<b>4,99,97,291</b>	<b>42,60,546</b>	<b>-</b>	<b>5,42,57,837</b>	<b>2,90,11,642</b>	<b>25,99,939</b>	<b>-</b>	<b>3,16,11,581</b>	<b>2,26,46,256</b>	<b>2,09,85,648</b>
PREVIOUS YEAR	4,78,19,927	29,76,838	7,99,475	4,99,97,290	2,73,54,223	22,58,336	6,00,917	2,90,11,642	2,09,85,648	



SCHEDULE 5	31.03.2010 Rupees	31.03.2009 Rupees
<b>INVESTMENTS (AT COST)</b>		
<b>INVESTMENT IN SECURITIES (AT COST)</b>		
<b>A' NON TRADE : UNQUOTED</b>		
22,500 Equity Shares of Phoenix Irrigation Limited of Rs. 10/- each	2,25,000	2,25,000
Total 'A'	<u>2,25,000</u>	<u>2,25,000</u>
<b>B' NON TRADE: QUOTED</b>		
2,400 Equity Shares (including 2,000 bonus shares) of VLS Finance Limited (Market value Rs.30,960/- previous year Rs.14,784/-)	1,60,000	1,60,000
268 Equity Shares of JSW Steel Limited (Market value Rs.3,31,221/- previous year Rs.62,136/-)	61,700	61,700
	<u>2,21,700</u>	<u>2,21,700</u>
Provision for fall in value	-	1,44,780
Total 'B'	<u>2,21,700</u>	<u>76,920</u>
<b>C' INVESTMENT IN IMMOVABLE PROPERTIES</b>		
Investment in shops	12,16,667	12,16,667
Total 'C'	<u>12,16,667</u>	<u>12,16,667</u>
Total ( A+B+C)	<u>16,63,367</u>	<u>15,18,587</u>
Aggregate market value of quoted investment	3,62,181	76,920

**SCHEDULE 6**
**INVENTORIES**

(At cost unless otherwise stated)

Taken valued and certified by the management)

Finished goods (At lower of estimated cost & net realisable value)	30,69,835	65,56,977
Raw Materials	1,32,09,897	56,47,969
Scrap and Byproducts (at net realisable value)	22,70,986	16,58,963
Stores & Spares	27,000	52,000
Others	4,00,531	5,88,157
	<u>1,89,78,249</u>	<u>1,45,04,066</u>

**SCHEDULE 7**
**SUNDRY DEBTORS**

(Unsecured considered good)

Outstanding for a period exceeding six months	47,54,763	75,91,211
Less : Provision for Doubtful debts	3,28,330	38,95,365
	<u>44,26,433</u>	<u>36,95,846</u>
Others	2,39,40,134	2,22,51,560
	<u>2,83,66,567</u>	<u>2,59,47,406</u>

<b>SCHEDULE 8</b>	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH AND BANK BALANCE</b>		
Cash in hand (as certified by management)	<b>84,49,463</b>	34,93,124
With schedule bank : In Current Account	<b>2,96,357</b>	6,174
	<b><u>87,45,820</u></b>	<u>34,99,298</u>
<b>SCHEDULE 9</b>		
<b>LOANS &amp; ADVANCES</b>		
Security and Earnest money deposits	<b>35,07,298</b>	33,82,298
Prepaid expenses	<b>3,22,122</b>	93,663
Due from suppliers	<b>2,31,581</b>	51,406
Interest receivable	<b>16,80,642</b>	16,73,921
TDS & Income Tax refundable	<b>5,33,080</b>	4,57,921
Others	<b>36,87,546</b>	66,24,126
	<b><u>99,62,269</u></b>	<u>1,22,83,335</u>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Creditors for goods and expenses	<b>2,49,19,250</b>	31,03,097
Other liabilities	<b>3,57,784</b>	11,62,210
Advance from customer	<b>1,08,026</b>	5,70,068
	<b><u>2,53,85,060</u></b>	<u>48,35,375</u>
Provision for : Income Tax	<b>1,04,209</b>	70,088
Fringe Benefit Tax	-	7,186
	<b><u>2,54,89,269</u></b>	<u>49,12,649</u>
<b>SCHEDULE 11</b>		
<b>SALES AND OTHER INCOME</b>		
Finished goods	<b>21,02,41,046</b>	18,64,27,635
Other	<b>1,06,77,880</b>	60,102
	<b><u>22,09,18,926</u></b>	<u>18,64,87,737</u>
<b>SCHEDULE 12</b>		
<b>MATERIAL, MANUFACTURING &amp; OPERATING EXPENSES</b>		
Raw material consumed		
Opening stock	<b>56,47,969</b>	46,04,106
Add: Purchases	<b>18,76,38,591</b>	15,04,18,219
	<b><u>19,32,86,560</u></b>	<u>15,50,22,325</u>
Less: Closing stock	<b>1,32,09,897</b>	56,47,969
	<b><u>18,00,76,663</u></b>	<u>14,93,74,356</u>
Stores, spares & tools consumed	<b>4,95,015</b>	5,08,396
Carriage Inward	<b>17,76,573</b>	11,41,883
Power and fuel	<b>66,32,189</b>	56,40,881
Repairs to machinery	<b>6,33,118</b>	6,35,880
	<b><u>18,96,13,558</u></b>	<u>15,73,01,396</u>



31.03.2010  
Rupees

31.03.2009  
Rupees

**SCHEDULE 13****EMPLOYEES REMUNERATION AND BENEFITS**

Salary and Wages	41,27,606	37,73,367
Staff welfare expenses	59,176	56,707
Bonus	1,52,070	3,12,397
Contribution to PF, ESIC & Gratuity fund	6,20,613	6,50,347
	<u>49,59,465</u>	<u>47,92,818</u>

**SCHEDULE 14****ADMINISTRATIVE SELLING & OTHER EXPENSES**

Advertisement and sales promotions	54,310	41,480
Auditors remuneration	7,500	7,500
Comission on Sale	–	5,35,293
Bad Debts	–	2,96,949
Donation & Charity	500	–
Fee, taxes and subscription	1,46,354	1,31,228
Insurance	1,78,722	1,69,265
Loss on sale of assets	–	13,758
Miscellaneous expenses	88,262	20,753
Postage and telephones	1,86,093	2,47,009
Printing and stationery	34,682	33,102
Professional charges	65,891	43,000
Provision for Investment	–	1,44,780
PF Admin. Expenses	35,671	–
Rent	6,390	9,084
Service Tax & Sale Tax	42,288	35,896
Vehicle upkeep	2,97,880	5,93,814
	<u>11,44,543</u>	<u>23,22,911</u>

**SCHEDULE 15****INTEREST & FINANCIAL EXPENSES**

Interest	20,60,298	19,94,267
Bank charges	1,14,747	2,11,409
	<u>21,75,045</u>	<u>22,05,676</u>

**SCHEDULE "16"****NOTES ON ACCOUNTS :****1. SIGNIFICANT ACCOUNTING POLICIES****I) GENERAL**

- a) The financial statements are prepared under the historical cost convention and in accordance with the requirement of the Companies Act, 1956.
- b) Accounting Policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

**II) BASIS OF ACCOUNTING**

The company follows the mercantile system of Accounting and recognises income and expenditure on accrual basis.

**III) SALES**

Sales comprise sale of goods and includes excise duty, wherever applicable, but does not include sales tax.

**IV) FIXED ASSETS AND DEPRECIATION**

- a) All fixed assets are valued at cost less depreciation. All costs relating to the acquisition and installation of fixed assets are capitalised and include incidental expenses & financing costs relating to borrowed funds attributable to construction or acquisition of fixed assets upto the date, the asset is put to use.
- b) Depreciation is provided under the "Straight Line Method" at the rates provided in schedule XIV to the Companies Act, 1956.
- c) Lease premium for leasehold land is amortised over the period of lease.

**V) VALUATION OF INVENTORIES**

- a) Raw Materials, Stores and Spares and Loose Tools are valued at cost.
- b) Finished Goods is valued at lower of estimated cost or net realisable value.
- c) Scrap is valued at net realisable value.

**VI) CENVAT CREDIT**

Cenvat Credit of excise duty, service tax and education cess paid on inputs and capital goods is accounted for by reducing the purchase/service cost of the related inputs or the capital assets as the case may be.

**VII) RETIREMENT BENEFITS**

The Company has taken an Employees Group Gratuity of LIC for meeting out the liability of Gratuity. Premium paid is debited as and when due. Actuarial Valuation is also kept in view for determining the liabilities, if any. Leave Encashment, if any, is accounted for on accrual basis.

**VIII) EVENTS OCCURRING AFTER BALANCE SHEET DATE**

Events occurring after Balance Sheet date have been considered in the preparation of Financial Statements.

**IX) CONTINGENT LIABILITIES**

Contingent liabilities not provided for in the accounts are separately disclosed.

**2. CONTINGENT LIABILITIES**

Nil

**3. TAXATION**

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred Tax assets arising from the timing difference are recognized to the extent that there is virtual certainty that sufficient future taxable income will be available.

Deferred Taxation Assets and Deferred Taxation Liabilities have been calculated as per AS-22 issued by the ICAI. Deferred Taxation Assets has been taken in to consideration as the management is assured that the company will generate sufficient profits in future to derive full benefit of current unabsorbed depreciation and losses. This assurance is based upon company's track record and the future outlook of the PVC pipe industry.

Position of Deferred Taxation Assets as on 31/03/2010 is as under :-

	<u>31/03/2010</u>	<u>31/03/2009</u>
W.D.V. as per Books	2,26,46,256	2,09,85,648
W.D.V. as per Income Tax	1,11,11,233	83,86,386
Difference	1,15,35,023	1,25,99,262
Less : Unabsorbed Depreciation	2,39,77,872	2,24,87,373
	<u>(1,24,42,849)</u>	<u>(98,88,111)</u>
Effective Tax Rate	30.90%	30.90%
Total Deferred Taxation Assets	38,44,840	30,55,426
<b>Current Year Provision for increase/ (decrease) in Deferred Taxation Assets</b>	<b>7,89,414</b>	<b>(3,65,844)</b>

**4. SEGMENT INFORMATION (AS-17)**

The company is engaged primarily in the business of Rigid PVC Pipes. The production facility is located at one place and the business is fully concentrated in India. As the basic of nature of these activities are governed by the same set of risks and returns, these have been grouped as a single business segment. Accordingly, segment reporting disclosure as envisaged in Accounting Standard (AS-17) "Segment Reporting", issued by the Institute of Chartered Accountants of India, is not applicable to the Company.

**5. IMPAIRMENT OF ASSETS (AS-28)**

Pursuant to accounting standard (AS-28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the company assessed its assets for impairment as at 31<sup>st</sup> March, 2010 and concluded that there has

been no significant impaired assets that needs to be recognized in the books of accounts.

## 6. RELATED PARTY DISCLOSURES

Disclosures as required by the Accounting Standard 18 "Related Party Disclosures" are given below :-

### RELATED PARTIES

#### A) Associate Companies

- |                                  |                         |
|----------------------------------|-------------------------|
| (i) Arcee Ispat Udyog Limited    | (ii) APL Fincap Limited |
| (iii) Phoenix Irrigation Limited |                         |

#### B) Key Management personnel

- |   |                                   |
|---|-----------------------------------|
| (i) Sh. R.C. Gupta, Whole Time Director | (ii) Smt. Krishna Gupta, Director |
| (iii) Sh. S.P. Kanodia, Director        | (iv) Sh. Manoj Goyal, Director    |
| (v) Sh. Pankaj Agarwal, Director        |                                   |

### Disclosure on related party transaction:

(Rs. In Lacs)

Transactions for the year ended 31.03.2010	Key Management Personnel		Associate Concerns	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Managerial Remuneration	<b>6.15</b>	5.40	-	-
Loan Given	-	-	<b>304.85</b>	923.54
Loan Received	-	-	<b>1217.90</b>	129.68
Freight Paid	-	-	<b>1.41</b>	7.90
Sale of Finished Goods	-	-	<b>0.25</b>	0.37
<b>Outstanding as on 31.03.2010</b>				
Due to	-	-	-	-
Due from	-	-	-	-

7. In the opinion of Board of Directors Current Assets, Loans and Advances have the value at which these have been stated in the Balance Sheet, if realised in the ordinary course of business.

## 8. EARNING PER SHARE (AS-20)

Basic Earning per share is calculated by dividing the Net Profit after tax attributable to the equity shareholders by the weighted average number of Equity Shares outstanding during the year.

	2009-2010	2008-2009
Basic and diluted Earnings per share (Rs.)	<b>0.37</b>	0.11

9. Creditors include amount due to Small Scale Industrial Undertakings Rs. 8,75,024/- Creditors include the following Small Scale Industrial Undertaking having outstanding balance exceeding Rupees One Lacs for more than 30 days.

Kushal Pipes, Sonipat

10. The balances in parties account are subject to confirmation.

**11. Details of Managerial Remuneration paid to Directors :-**
**(Amount in Rs.)**

	<b>Current year</b>	<b>Previous year</b>
Salary	<b>5,70,000</b>	5,40,000
Company's contribution to provident fund	<b>68,400</b>	64,800
Bonus	<b>45,000</b>	-

**12. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**
**A. LICENSED AND INSTALLED CAPACITY, PRODUCTION AND GOODS MANUFACTURED RIGID PVC PIPES**

	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
a) Licensed capacity	<b>N.A.</b>	N.A.
b) Installed capacity	<b>8740 M.T.</b>	8740 M.T.
c) Actual production	<b>4823 M.T.</b>	4167 M.T.

Installed capacity as certified by the Management and not verified by the Auditors being a technical matter.

**B. DETAILS OF OPENING STOCK, TURNOVER AND CLOSING STOCK**

	<b>CURRENT YEAR</b>		<b>PREVIOUS YEAR</b>	
	<b>M.T.</b>	<b>Rs.</b>	<b>M.T.</b>	<b>Rs.</b>
a) OPENING STOCK				
Pipes	<b>199</b>	<b>65,56,977</b>	52	21,90,706
Scrap	<b>97</b>	<b>16,58,963</b>	17	3,54,669
b) TURNOVER				
Pipes	<b>4,804</b>	<b>20,78,27,239</b>	3,911	18,55,85,762
Scrap	<b>120</b>	<b>24,13,881</b>	29	8,41,873
c) CLOSING STOCK				
Pipes	<b>83</b>	<b>30,69,835</b>	199	65,56,977
Scrap	<b>112</b>	<b>22,70,986</b>	97	16,58,963

**C. RAW MATERIAL CONSUMED**

PVC Resin	<b>3,190</b>	<b>15,74,31,082</b>	2,622	12,97,66,686
Cal. Carbonate	<b>1,430</b>	<b>76,74,716</b>	1,408	80,94,787
Chemicals	<b>240</b>	<b>1,52,09,062</b>	149	1,15,43,161
Mixing/Sweep	<b>6</b>	<b>2,57,047</b>	5	2,26,769

- Process Loss 9.00 M.T. (Previous Year 3.00 M.T.).

- Raw Material Consumed include 13 M.T. Closing Stock of Mixing/Sweep for Rs.4,95,244/- (Previous Year 6 M.T. for Rs.2,57,047/-) and 21 M.T. Sale of Raw Material (Previous Year 8 M.T.).

D. Break up of employees in respect of remuneration in the aggregate not less than Rs.24,00,000/- per year when employed through out the year or Rs.2,00,000/- per month when employed for a part of the year.

	<u>Current year</u>	<u>Previous year</u>
--	---------------------	----------------------

a) When employed through out the year	<b>NIL</b>	<b>NIL</b>
---------------------------------------	------------	------------

b) When employed for part of the year	<b>NIL</b>	<b>NIL</b>
---------------------------------------	------------	------------

E. C.I.F. VALUE OF IMPORT	<b>NIL</b>	<b>NIL</b>
---------------------------	------------	------------

F. BREAK UP OF CONSUMPTION OF RAW MATERIALS AND STORES AND SPARES INTO IMPORTED & INDIGENOUS :

a) RAW MATERIAL	%	Rs.	%	Rs.
Imported	-	-	-	-
Indigenous	<b>100</b>	<b>18,00,76,663</b>	<b>100</b>	<b>14,93,74,356</b>
b) STORES AND SPARES				
Imported	-	-	-	-
Indigenous	<b>100</b>	<b>4,95,015</b>	<b>100</b>	<b>5,08,396</b>

13. Paise has been rounded off to the nearest rupees.

14. Previous year figures have been regrouped/rearranged wherever necessary.

15. Schedule 1 to 16 form integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

**Signature to Schedule "1" to "16"**

( VISHESH CHUGH )  
G.M. (FINANCE) &  
COMPANY SECRETARY

( R.C. GUPTA )  
DIRECTOR

( KRISHNA GUPTA )  
DIRECTOR

FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006545N

Place : Hisar  
Dated : August 24, 2010

(VINOD MAHAJAN)  
PROP.  
Membership No. 083292

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT 1956

**BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE**

<b>I REGISTRATION DETAILS</b>		(Rupees in thousand)
Registration number		031681
Company Identification No.		L29120HR1992PLC031681
State code		05
Balance sheet date		31.03.2010
<b>II CAPITAL RAISED DURING THE YEAR</b>		
Public issue	:	Nil
Rights issue	:	Nil
Bonus issue	:	Nil
Private placement	:	Nil
<b>III POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS</b>		
Total liabilities	:	82,512
Total assets	:	82,512
a) Sources of funds		
Paid up capital	:	51,388
Reserve & surplus	:	21,006
Secured loans	:	9,118
Unsecured loans	:	1,000
b) Application of funds		
Net fixed assets	:	22,646
Investments	:	1,663
Net current assets	:	40,564
Misc. expenditures	:	Nil
Accumulated losses	:	13,794
Deferred Taxation Assets	:	3,845
<b>IV PERFORMANCE OF THE COMPANY</b>		
Turnover (Gross revenue)	:	2,20,919
Total expenditure	:	2,19,768
Profit before tax	:	1,151
Profit(Loss) after tax	:	1,896
Earning per share (Rs.)	:	0.37
Dividend (Rate)	:	Nil
<b>V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY</b>		
Item code No.	:	39172390
Description	:	PVC Pipes
<b>(VISHESH CHUGH)</b> G.M. (FINANCE) & COMPANY SECRETARY	<b>(R.C. GUPTA)</b> DIRECTOR	<b>(KRISHNA GUPTA)</b> DIRECTOR

Place : Hisar

Dated : August 24, 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31/03/2010**

(Rs. in Lacs)

	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit /(Loss) before tax & extraordinary items	11.51	10.39
<b>Adjustments for :</b>		
Depreciation (including Lease money written off)	26.00	22.58
Financial Expenses	21.75	22.06
Loss on sale of fixed assets	-	0.14
Provision for change in Market Value of Investment	(1.45)	1.45
<b>Operating profit/(Loss) before working capital changes</b>	<b>57.81</b>	<b>56.62</b>
<b>Adjustments for :</b>		
Trade and other receivables	(24.19)	(73.12)
Inventories	(44.74)	(66.67)
Other Current Assets	23.21	17.87
Trade payables & Current Liabilities	93.78	158.73
Provision for Tax & Tax Paid	(0.44)	(0.31)
<b>Net Cash from operating activities</b>	<b>105.43</b>	<b>93.12</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed assets	(42.60)	(29.77)
Sale of Fixed assets	-	1.85
<b>Net Cash used in investing activities</b>	<b>(42.60)</b>	<b>(27.92)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Financial Expenses	(21.75)	(22.06)
Unsecured Loan	-	(31.00)
Term Loan	11.39	5.65
<b>Net Cash used in financing activities</b>	<b>(10.36)</b>	<b>(47.41)</b>
Net increase in Cash and Cash equivalents	52.47	17.79
Cash and Cash equivalents (Opening Balance)	34.99	17.20
Cash and Cash equivalents (Closing Balance)	87.46	34.99

( VISHESH CHUGH )  
G.M. (FINANCE) &  
COMPANY SECRETARY

( R.C. GUPTA )  
DIRECTOR

( KRISHNA GUPTA )  
DIRECTOR

**For Arcee Industries Limited**

FOR AGGARWAL & MAHAJAN  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006545N

Place : Hisar  
Dated : August 24, 2010



**Director**

(VINOD MAHAJAN)  
PROP.  
Membership No. 083292



# ARCEE INDUSTRIES LIMITED

Regd. Office & Works: 7th K.M. Barwala Road, Talwandi Rana, Hisar (Haryana)

## PROXY FORM

Folio No. : \_\_\_\_\_ DP ID : \_\_\_\_\_

No. of Shares : \_\_\_\_\_ Client ID : \_\_\_\_\_

I/We.....

of.....being a

member/members of **ARCEE INDUSTRIES LIMITED** hereby appoint.....

.....of.....

or failing him/her.....of.....

as my/our proxy to attend and vote for me/us on my/our behalf at the **18th Annual General Meeting** of the Company to be held on Tuesday, the 21st day of September, 2010 at 10.00 A.M. at its Regd. Office at 7th K.M. Barwala Road, Talwandi Rana, Hisar - 125 001 and at any adjournment thereof.



Signed this.....day of.....2010

Signature

N.B. : Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself on a poll and the proxy need not be a member of the Company. The form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the Meeting.

----- TEAR HERE -----

# ARCEE INDUSTRIES LIMITED

Regd. Office & Works: 7th K.M. Barwala Road, Talwandi Rana, Hisar (Haryana)

## ATTENDANCE SLIP

Folio No. : \_\_\_\_\_ DP ID : \_\_\_\_\_

No. of Shares : \_\_\_\_\_ Client ID : \_\_\_\_\_

Name of the attending Member's/Proxy's (in block letters) \_\_\_\_\_

I hereby record my presence at the **18th Annual General Meeting** of the Company held on Tuesday, the 21st day of September, 2010 at 10.00 A.M. at its Regd. Office at 7th K.M. Barwala Road, Talwandi Rana, Hisar-125 001 (Haryana) and at any adjournment thereof.

**Member's/Proxy's Signature**

Notes : Members/Proxy holders are requested to bring duly filled in and signed attendance slip for the meeting and hand it over at the entrance.

# BOOK POST



If undelivered please return to :

**ARCEE INDUSTRIES LIMITED**

7th K.M. Barwala Road

Talwandi Rana, Hisar-125 001 (Haryana)