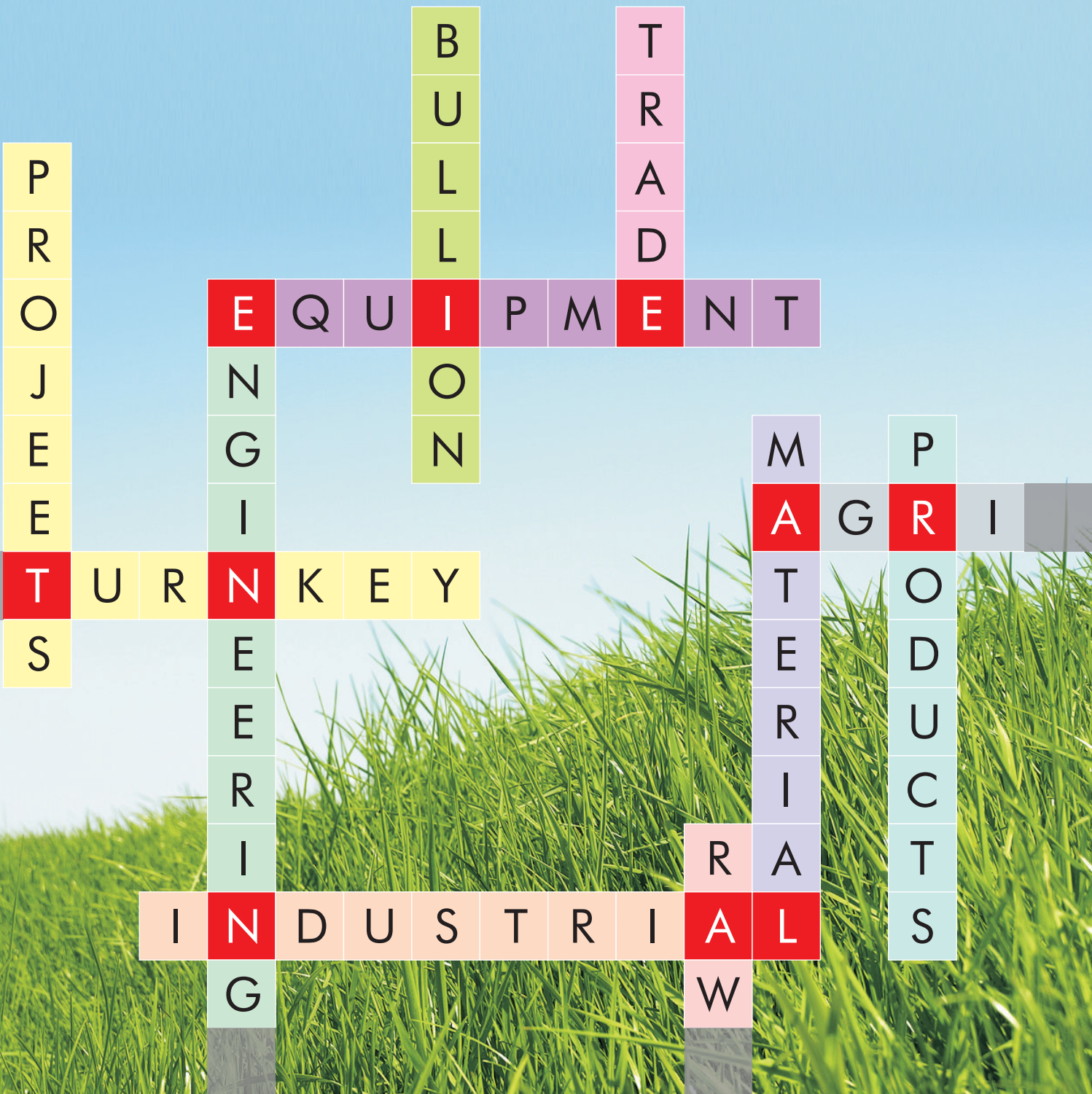




PEC Ltd.

ANNUAL REPORT 2009-10





PEC LIMITED



Shri A K Mirchandani (CMD) Receiving the award from Shri Virbhadra Singh, Union Minister of Steel, for The Growth Master Mini Navratna -Non-Manufacturing

COMPANY INFORMATION

Board of Directors

Chairman-Cum-Managing Director
A. K. Mirchandani

Whole-Time Directors

Rajiv Chaturvedi
Ravi Kumar

Part-Time Directors

V. D. Alam
Ms. Aditi Das Rout (from 30.03.2010)
T. Srinidhi (upto 30.03.2010)

Company Secretary

Ashok Kumar

Auditors

M/s. Samsand & Associates.
Chartered Accountants, Delhi

Registered Office

“Hansalaya” 15-Barakhamba Road,
New Delhi-110 001



Bankers

State Bank of India
State Bank of Patiala
Indian Overseas Bank
Punjab National Bank
Corporation Bank
Syndicate Bank
Vijaya Bank
Canara Bank
IDBI Bank
Axis Bank
ICICI Bank
Bank of Baroda
Societe Generale
United Bank of India
State Bank of Travancore
Development Credit Bank



PEC LIMITED

Mission

- To trade in the international market in a manner to create an image of quality, reliability, ethical values and sustained long term relationship with the customers and other business partners by
 - Export of engineering projects and equipment specially from small and medium enterprises.
 - Export and Import and Domestic trade of commodities, raw materials and bullion etc. and develop new products and new markets.
- To serve as an effective instruments of public policy and social responsibility.

Vision

To be a highly market focussed company engaged in international and domestic trade; an organization which is lean and flexible, capable of responding to the changing environment and always conscious of its obligations of delivering value to stakeholders.

A company capable of providing total service to the customers related to international trade.





Board of Directors



A. K. Mirchandani
CMD



Rajiv Chaturvedi
Director



Ravi Kumar
Director



Aditi Das Rout
Director
(from 30.03.2010)



Amrit Raj
Director
(from 28.06.2010)



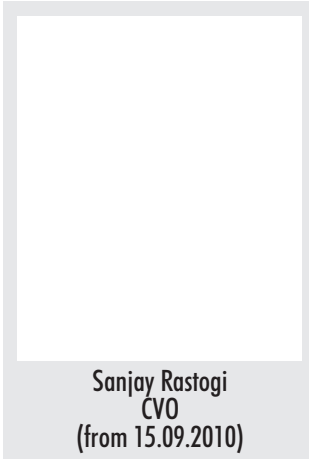
T. Srinidhi
Director
(upto 30.03.2010)



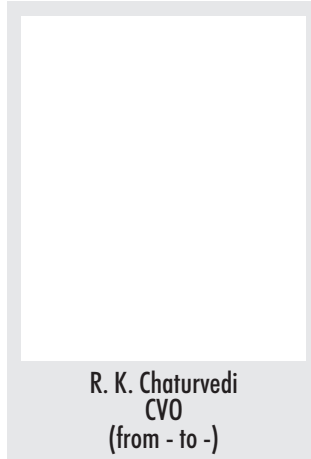
V.D. Alam
Director
(upto 30.04.2010)



Key Personnel



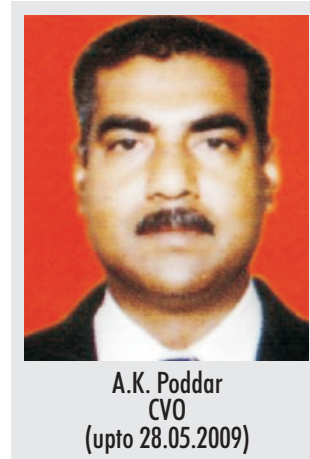
Sanjay Rastogi
CVO
(from 15.09.2010)



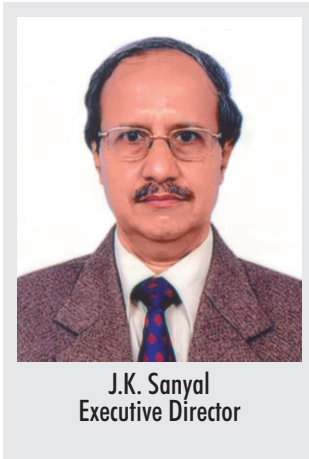
R. K. Chaturvedi
CVO
(from - to -)



A.K. Lahiri
CVO
(from 29.05.2009 to -)



A.K. Poddar
CVO
(upto 28.05.2009)



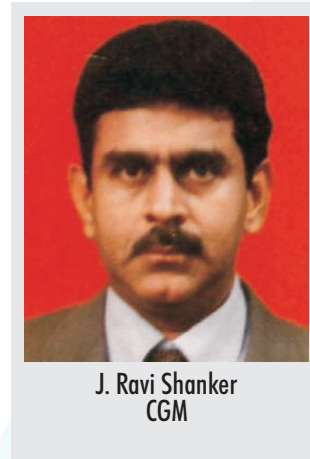
J.K. Sanyal
Executive Director



S.K. Majumdar
CGM



P.K. Jain
CGM



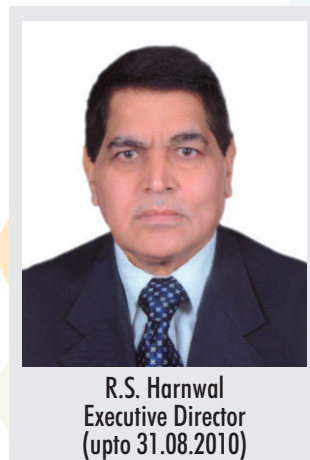
J. Ravi Shanker
CGM



R.K. Taneja
CGM



R.S. Aggarwal
CGM
(upto 30.09.2009)



R.S. Harnwal
Executive Director
(upto 31.08.2010)

DIRECTORS' REPORT

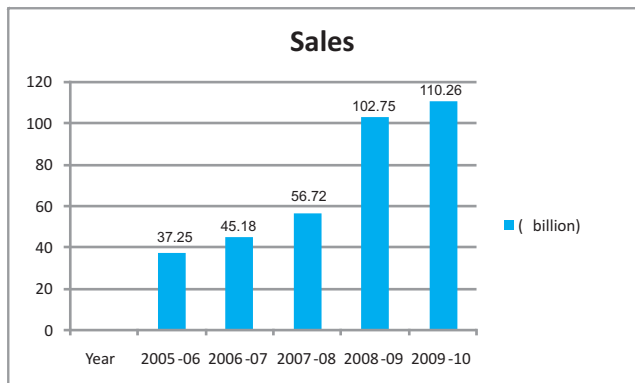
The Directors have pleasure in presenting the 39th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

	2009-10	2008-09
TURNOVER		
Sales	110259.39	102747.84
Exports	12549.05	12617.83
Imports	88815.71	85202.80
Domestic	8894.63	4927.21
PROFIT		
Trading Profit	1454.61	1494.38
Profit before tax	1028.90	1122.62
Profit after tax	677.17	721.72
APPROPRIATION		
Proposed dividend & tax	163.79	175.49
Transfer to Reserves	513.38	546.23

During the year 2009-10, PEC has achieved highest ever sales turnover of Rs. 110259.39 million, registering an increase of 7 per cent over the last year.

PEC continues to achieve high productivity in terms of sales turnover per employee.



DIVIDEND

The Board recommends dividend at 70 per cent of paid up capital of Rs. 200 million for the year ended 31st March 2010, subject to members approval. The total payout on dividend and taxes shall be Rs.163.793 million.



Coke Oven Factory

KEY INITIATIVES

PEC continues with its commitment to promote export of engineering and manufactured goods.

Over the years, business of PEC has changed with industrial raw materials, agro commodities and bullion constituting major part of its turnover and profit. Some of the key initiatives have been consolidation of existing line of business and selective diversification into sustainable business areas, improving operational efficiency and cost effectiveness.

PEC has invested in equity of Indian Bullion Market Association (IBMA), a subsidiary of National Spot Exchange Limited. Association with IBMA shall extend us facilities of trading, clearing and settlement to give further impetus to our bullion trade.

EXPORTS

Export sales aggregate to Rs. 12549.05 million during the year.

During the year, PEC secured contracts for supply of electrical equipment to Ethiopia and Kenya.

PEC has also secured contract for supply, installation and commissioning of Potato Products Processing Plant at Kyrgyzstan. Supply of equipment is in progress and the Plant shall be commissioned by December 2010.

PEC has over the years become one of leading trader in agro commodities. PEC's export of maize, barley, rice and soyameal aggregate to Rs. 5320.87 million during the year.

During the year, PEC achieved record exports of Iron Ore valued at Rs. 6306.94 million.

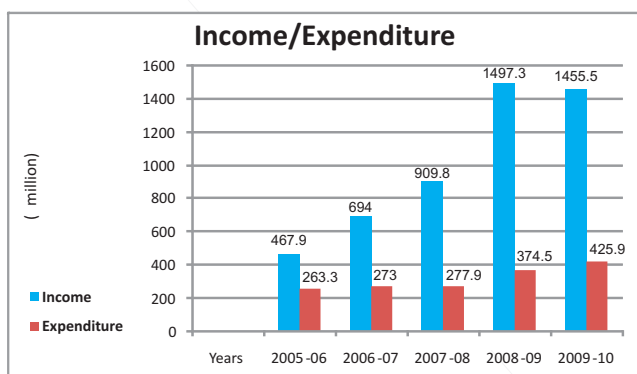
IMPORTS

PEC achieved import turnover of Rs. 88815.71 million during the year. Bullion continues to be largest single item in PEC's import basket with import sale of Rs. 25445.91 million.

PEC achieved highest ever turnover of Coal and Coke of Rs. 24921.68 million during the year.

Bulk import of steel scrap, manganese ore and sugar were also undertaken.





DOMESTIC TRADE

During the year, domestic sales in coal, edible oil, cotton yarn, jute, etc. aggregate to Rs. 8894.63 million.

EXPORT AWARD

During the year, the Corporation earned Engineering Export Promotion Council's Shield for Star Performer in recognition of its outstanding contribution to engineering exports for the year 2007-08.



HR Coils imported by PEC

MEMORANDUM OF UNDERSTANDING

PEC received during the year Merit Certificate for excellence in the achievement of MOU for the years 2006-07 and 2007-08.

PEC has been rated "Excellent" in the achievement of targets for the year 2008-09. We expect to be rated "Excellent" for the year 2009-10 also.

MOU for the year 2010-11 has been signed with the Ministry of Commerce & Industry.

HUMAN RESOURCE

Your Company has always believed that human resource is its most important asset and continues to work for its development and realization of its potential. To achieve growth and foster motivational climate, several initiatives were undertaken in the HR area during the year. The thrust on optimal utilization of

manpower with focus on improvement in productivity continued.



16 Management trainees were inducted during the year, taking the total manpower to 197 at the close of the year.

Strengthening the organization is one of the most powerful levers a company can pull to improve its performance. We remain committed to employee development by investing in training and entry level recruitment. The thrust of training programmes, both in-house and organized in association with reputed institutions, was in the areas of executive development and business growth.

The Corporation has been implementing the policies and guidelines issued by the Government of India from time to time with regard to recruitment of SC/ST/OBC and physically challenged persons.

Industrial relations remained peaceful and cordial.

RAJBHASHA

PEC continues to take effective steps for progressive use of Hindi in official work.



Hindi Pakhwara Samapan Samaroh

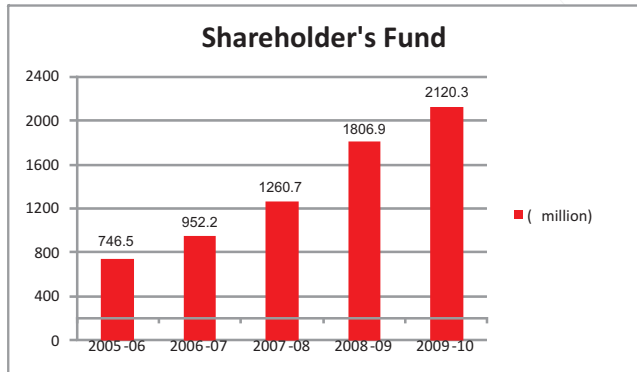
To accelerate the pace of use of Hindi, fortnight long

programme was organized to mark Hindi Diwas in September, 2009 where various competitions were held and prizes awarded to the winners. 'PEC Patrika' was published on this occasion. Quarterly Hindi workshops were regularly organized.

During the year, Official language Implementation Committee met regularly to assess progress in use of Hindi.

Incentives were given to the employees to promote use of Hindi in official work.

Hindi books on literature and trade were made available for library at Head office and Branches.



VIGILANCE

PEC laid emphasis on preventive aspects of vigilance, compliance with instructions and creating awareness of vigilance requirements among the employees.

Vigilance awareness week was observed from 3rd to 7th November, 2009 in Corporate as well as Branch Offices.

BRANCH NETWORK

In line with current business needs, branch network was rationalized. Four regional and 10 branch offices service customers across the country.

PARTICULARS OF EMPLOYEES

Pursuant to Section 217(A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975, as amended, statement of employees who were in receipt of remuneration of Rs. 24 lakh for

the year or Rs. 2 lakh per month or more during 2009-10, is annexed.



Symposium on Anti Terrorism Security Organized by PEC at Hyderabad

TECHNOLOGY UPGRADATION

PEC is committed to technological improvement. Networking through computers within the organization has been undertaken to implement commercial and accounting automation and achieve efficiency in operations.

SUBSIDIARY COMPANY

Tea Trading Corporation of India Ltd., a wholly-owned subsidiary of your Company, continues to be under winding up process by Official Liquidator appointed by Hon'ble High Court at Calcutta.

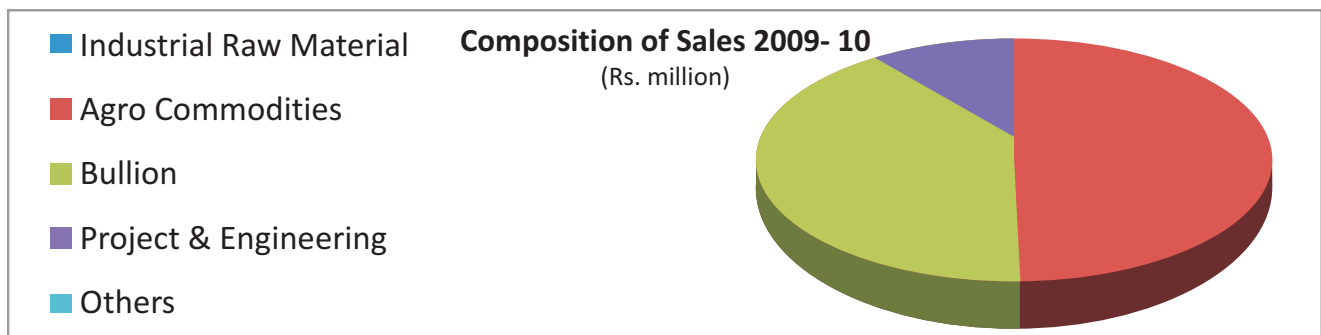
FOREIGN EXCHANGE

Particulars regarding foreign exchange earnings and expenditure appear as Note No. 24 in the Notes to the Accounts.

BOARD OF DIRECTORS

Smt. Aditi Das Rout, Director, Ministry of Commerce & Industry, joined PEC Board w.e.f. 30th March, 2010 vice Shri T. Srinidhi.

The Board places on record its appreciation for the contribution made by Shri T. Srinidhi during his tenure as Director.





PEC received Highest Tax Payer Award from M.P. Government

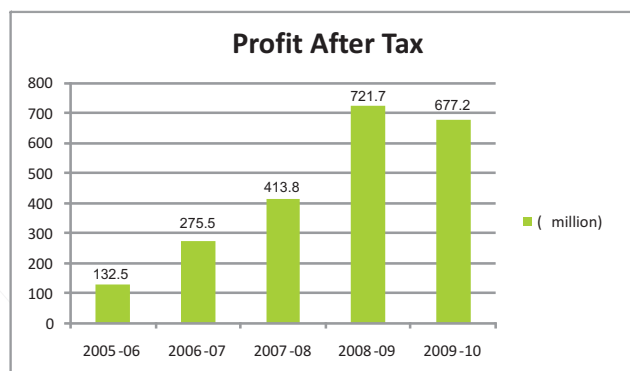
DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provision of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i. in the preparation of annual accounts for the year ended 31st March, 2010, applicable accounting standards have been followed along with proper explanation relating to all material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affair of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care to the

best of their knowledge and ability for 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; and

- iv. they have prepared the annual accounts on 'going concern' basis.



ACKNOWLEDGMENTS

The Board of Directors wishes to place on record its appreciation for the support and cooperation extended by every member of the PEC family. The Directors are thankful to the State Governments, Banks, suppliers, and customers for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India, particularly from the Ministry of Commerce and Industry.

For & on behalf of Board of Directors

(A.K.Mirchandani)

Chairman-cum-Managing Director

**INFORMATION REQUIRED UNDER SECTION 217(2A) OF COMPANIES ACT,
1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES,
1975 AND FORMING PART OF THE DIRECTOR REPORT FOR THE YEAR ENDED 31.03.2010**

Sl. No.	Name of the Employee	Designation	Age in Years	Remuneration Rs.	Nature of Employment	Qualification	Commencement of Employment	Name of last Employer	Experience in Years
1	2	3	4	5	6	7	8	9	10
A) Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000/- in aggregate for the year									
1	A.K. Mirchandani	Chairman-cum- Managing Director	53	3,256,587	Contract	B.Tech (Civil)	11.06.1979	-	31
2	Rajiv Chaturvedi	Director	51	2,656,718	Contract	B.Tech (Civil)	14.11.1983	-	27
3	Ravi Kumar	Director	50	2,420,518	Contract	M.Tech (Mech) MBA, LLB	25.10.1983	-	27

Note: None of the employees is related to any of the Directors.

REPORT ON CORPORATE GOVERNANCE

The Company is committed to develop and adopt best Corporate Governance practices and adhere to the Corporate Governance guidelines. The adoption of such corporate practices based on transparency and proper disclosures, ensures accountability of the persons in charge of the Company and brings benefits to customers, creditors, employees and the society at large.

It is our belief that as we move closer towards our aspirations of becoming a global Corporation, our corporate governance standards must be globally benchmarked. That gives us the confidence of having put in the right building blocks for future growth and ensuring that we achieve our ambitions in a prudent and sustainable manner.

BOARD OF DIRECTORS

PEC, being a Government Company, all its Directors are appointed by the President of India. Our Articles of Association provide for not be less than 5 and not more than 12 Director including Chairman-cum-Managing Director, whole-time functional Directors and part-time Directors. The present Board comprises of CMD, two whole-time functional Directors and two part-time Directors nominated by the President of India.

The details of the directors, directorships in other companies, as well as attendance at Board Meetings/Annual General Meeting are as follows :-

S. No.	Name & Designation of Directors	No. of Board meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies
WHOLE TIME DIRECTORS				
1.	Shri A.K. Mirchandani (w.e.f 1.7.2007)	5/5	Yes	Nil
2.	Shri Rajiv Chaturvedi (w.e.f. 31.10.2007)	5/5	Yes	Nil
3.	Shri Ravi Kumar (w.e.f. 1.10.2008)	5/5	Yes	1
PART-TIME DIRECTORS (Govt. nominees)				
4.	Shri V.D. Alam (From 23.2.2005 to 30.4.2010)	4/5	No	Nil
5.	Shri T. Srinidhi (From 18.6.2007 to 30.3.2010)	5/5	Yes	1
6.	Ms. Aditi Das Rout (w.e.f from 30.3.2010)	--	Not Applicable	--

DETAILS OF MEETINGS

Five Board Meetings were held during the year. The details of Board meetings are as under:-

S. No.	Date	Board strength	No. of Directors present
1	28.04.2009	5	5
2	09.07.2009	5	5
3	28.08.2009	5	4
4	04.12.2009	5	5
5	22.01.2010	5	5

REMUNERATION OF DIRECTORS

PEC is a Govt. of India Enterprise in which all members of the Board are appointed by the President of India through the administrative ministry, Department of Commerce, Ministry of Commerce & Industry, Govt. of India, which, inter-alia, fixes the remuneration of such directors.

The details of remuneration paid for the year 2009-10 to Directors are:-

S. No.	Name of Directors	Salary & benefits (Rs. lakh)	Productivity Linked Reward for 2008-09 (Rs. lakh)	No. of Shares of PEC held as on 31-03-2010
	FUNCTIONAL DIRECTORS			
1.	Shri A.K. Mirchandani, CMD	28.29	4.28	1
2.	Shri Rajiv Chaturvedi, Director	22.89	3.67	Nil
3.	Shri Ravi Kumar, Director	20.87	3.33	Nil
	PART-TIME DIRECTORS			
1.	Shri V.D. Alam, Director, MOC	-	-	Nil
2	Shri T. Srinidhi, Director, MOC (upto 30.3.2010)	-	-	1
3	Ms. Aditi Das Rout, MOC (w.e.f. 30.3.2010)	-	-	Nil

CHANGES IN DIRECTORSHIP

During the year, Smt. Aditi Das Rout, Director, Ministry of Commerce & Industry, Udyog Bhawan, New Delhi joined the Board as Part-time Director w.e.f. 30th March, 2010 vice Shri T. Srinidhi.

GENERAL BODY MEETINGS

The General Body Meeting of the Company is held at the Registered Office of the Company - Hansalaya, 15 Barakhamba Road, New Delhi. The details of such meetings held during the last three years are as under:-

Nature of Meeting	Financial year	Date of meeting
Annual General Meeting	2008-09	28-08-2009
Extraordinary General Meeting	2008-09	04-12-2008
Annual General Meeting	2007-08	08-08-2008
Annual General Meeting	2006-07	22-06-2007

DISCLOSURES

1. During the year, there were no transactions of material nature with the Directors or the Management or the subsidiary or relatives that had potential conflict with the interest of the Company.
2. The Company follows accounting standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements.
3. None of the part-time Directors had any pecuniary relationship or transactions with the Company during the financial year ending 31st March, 2010.

SHAREHOLDER'S INFORMATION

1. Forthcoming AGM – Date, Time and Venue
2. The 39th Annual General Meeting is scheduled for 23rd August, 2010 at 'Hansalaya, 15 Barakhamba Road, New Delhi – 110 001.
3. The Company's financial year is from 1st April to 31st March.
4. Dividend Payment
5. The details of dividend paid during the last 3 years are as under:-

Year	2006-07	2007-08	2008-09	2009-10
Rate (%)	300	450	75*	70
Amount (Rs. million)	60	90	150	140

* Paid-up capital increased by issue of bonus shares in the ratio of 9:1 from Rs. 2 crore to Rs. 20 crore during the year.

6. Shareholding Pattern

The entire paid up equity capital of Rs. 20 crore divided into 20 lakh shares of Rs. 100 each is held by the President of India.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

World Economic Developments in 2009

The global economic crisis sparked a 12.2% contraction in the volume of global trade - the largest such decline since World War II. The drop in the volume of world trade in 2009 was larger than most economists had predicted. World trade volumes fell on three other occasions after 1965 (-0.2% in 2001, -2% in 1982, and -7% in 1975), but none of these episodes parallel magnitude of last year's economic slide. Trade in current US dollar terms dropped even further than trade in value terms, thanks to large part of falling prices of oil and other primary commodities. The value of world merchandise exports fell 23% to \$12.15 trillion in 2009.

Primary Cause of fall in global trade was sharp contraction in global demand. This was magnified by the product composition of the fall in demand, by the presence of global supply chains, and by the fact that the decline in trade was synchronized across countries and regions. The Weakness in private sector demand was linked to the global recession triggered by the sub-prime mortgage crisis in the United States. Limited availability of trade finance also played a negative role.

Overview of Indian Economy in 2009-10

The Indian economy has come through the worst global crisis in decades and the worst drought since 1972. Indian economy expanded by a handsome 7.4% during 2009-10; in the final quarter, the performance was very impressive, with real GDP up by a hefty 8.6% from a lacklustre 5.8% a year ago. The recovery in 2009-10 is notable for two reasons first being the manufacturing sector has grown by impressive 10.8% as compared with a messy 3.2% in year 2008-09 and second the sustained high pace of investment activity in the economy as revealed by the national income data.

In the year 2009-10 the biggest surprise came from agricultural sector, the estimates suggest that increase of 0.2% in the GDP originating from agricultural and allied activities.

The sectors which witnessed a significant double digit growth or near to are mining and quarrying (10-6%), manufacturing (10.8%), trade, hotel, transport and communication (9.3%), financing, insurance, real estate and business activities (9.7%).

With encouraging growth rates in key sectors of economy, the Indian economy is looking forward to a healthy GDP growth rate in near term. The major concerns which are likely to hinder the growth rate are uncertainty over Europe, rise in Interest rate, domestic inflation and rising fiscal deficit.

PEC'S Performance

Though the Global economy is on recovery path in 2009-10, the recovery has not been too substantial to

recover damages caused by recent financial meltdown. Despite such deteriorated international and domestic trade environment, PEC exhibited inspiring performance by achieving record level top line growth consecutively for the fourth year in a row. The Corporation's business turnover for the year 2009-10 stood highest ever at Rs.110,259.39 million.

Segment wise Performance:

Import

During year 2009-10, PEC registered the highest ever import turnover amounting to Rs. 88,815.71 million as compared to Rs. 85,202.80 million in previous year. Import turnover accounts 80% of total turnover of the Corporation which consists mainly of bullion, coal and agro commodities. Areas exhibiting significant growth and performance are highlighted as under:

Pulses

Pulses trade contributed major portion of total turnover. Besides import on commercial account, PEC also undertook import of pulses on behalf of Government. Pulses import on behalf of Government has brought desired impact on domestic prices. Major pulses contributing to turnover are yellow peas, toor, chick peas, moong and urad. During year 2009-10, 684,747.29 MT of imported pulses were sold valued Rs. 15,027.92 million as compared to Rs. 9,270.80 million in 2008-09. PEC has aimed that every opportunity for mismatch in demand & supply of agro commodities was harnessed to contain inflationary trends.

PEC has also traded agro commodities on National Commodity and Derivative Exchange Ltd. (NCDEX) and Multi Commodity Exchange (MCX). The total volume traded on commodity exchange was Rs.31,193.10 million.

Sugar

The fear of supply deficit of sugar led steep rise in prices of sugar during the year 2009-10. PEC imported sugar on Government initiative for cooling off domestic prices. 295,717.30 MT of Sugar was imported which yielded a turnover of Rs.7,520.14 million. Brazil and Thailand are the major countries from where sugar was procured.

Edible Oils

Edible oils turnover in year 2009-10 was valued at Rs. 4,182.86 million. This included about Rs.3,000 million worth of sales arising from edible oils imported for various State Governments for distribution through Public Distribution System (PDS) after getting the same packed in one litre pouches.

Coal

PEC achieved highest ever turnover of coal & coke during the year. Coal & coke constituted 23 % of total turnover. In quantitative terms, 3.58 million MT of

imported coal was sold in year 2009-10 valued at Rs. 24,921.68 million. Out of which Rs.6, 847.41 million was sold to State Electricity Boards. Business of State Electricity Boards was secured from competitive bidding with other established players in market.

Steel & Manganese ore

Despite sluggish demand conditions for steel, PEC managed to achieve steel turnover of Rs. 5,067.58 million. Steel scrap, HR coils and steel wire rods were major items of import. PEC also imported 110,240 MT of manganese ore valued Rs 1,075.53 million.

Chemicals & Pharmaceuticals

PEC imported chemicals & pharmaceuticals valued Rs. 4,108.15 million in 2009-10. Major portion of industrial chemicals turnover constituted of bitumen, ammonium nitrate, ethylene vinyl acetate, ABS-acrylonitrile, butadiene styrene, PVC resins, etc.

Bullion

Bullion contributes major portion of PEC's turnover for past few years. Bullion import contracts were executed on consignment basis on private account. During the year 2009-10 15,875 kg of gold and 34,547 kg of silver was imported. Bullion turnover of Rs. 25,445.91 million accounts to 28 % of total PEC's import turnover. Weak global financial markets and strong domestic demand have added to buoyancy in yellow metal prices. Even though Bullion market is characterised by high value and volatile prices PEC managed to achieve significant turnover.

Exports

In year 2009-10 on account of global slowdown export demand was sluggish. Even in such scenarios PEC Export turnover was valued at Rs. 12,549.05 million. Iron ore, rice, soya meal and engineering equipments & manufactured goods are major items which contributed towards the export turnover.

Rice

As per Government directives export of non-basmati rice is banned. Therefore, PEC explored third country trading opportunities. PEC exported rice of Thailand origin to African countries like Nigeria and Benin. In 2009-10 third country export of rice was valued at Rs 3,650.75 million.

Soya

PEC associated in joint operation in DEWAS (M.P.) for crushing of soya beans and exporting soya meals. During the year Rs. 1,450.14 million of soya meal was exported.

Iron Ore

The export of iron ore from India has increased significantly in the recent past and the opportunities exist to expand it further in future. The demand is being

driven by China, which has emerged as the largest buyer of iron ore. In above context PEC's iron ore export had a growth of 150% in year 2009-10 as compared to previous year. PEC exported 3.10 million MT of iron ore valued Rs. 6,306.94 million.

Projects & Equipment

Export of project & equipment is traditional business of PEC. Volume in projects exports has shrunk in recent years because major key players started their own export houses. Despite this PEC has secured exports orders from Bhutan, Ethiopia and Kyrgyzstan for supply of earthing equipments, transformers, stay rods, etc.

Domestic

During the year domestic turnover grew by 81% to Rs. 8,894.63 million as compared to Rs. 4,927.21 million in previous year. Around 50% of domestic turnover was in respect of coal supplies to State Electricity Boards. Other major items of domestic trade includes agro commodities mainly wheat & mustard seeds, cotton yarn, steel and home appliances.

Domestic trade in agro commodities was undertaken by way of direct buying & selling in open market.

Internal controls and procedures:

PEC has effective internal control system to ensure compliances with statutory requirement, regulations and various policies and guidelines of the Corporation. Internal audit is conducted by independent Internal Audit Division consisting of experienced and professional manpower. Internal Audit Division ensures that a proper system of checks and balances is in place in the corporation. The observations/recommendations made by the Internal Audit Division are complied with timely with a view to avoid recurrences of any lapses.

The corporation has a well defined Delegation of Powers (DoP) in force, which lays down the power of each managerial cadre to facilitate faster commercial decision. The various systems and procedures of the Corporation have been laid down in such a manner that maximum transparency is ensured in all commercial deals.

The corporation has a full fledged Vigilance Division to oversee that guidelines of the Government are strictly adhered to/implemented in all matters requiring transparency of operations.

Way forward

PEC continues to strive in its efforts to capture new opportunities in international as well as domestic trade to sustain and steady healthy growth. Last two years PEC witnessed highest ever business turnover and PEC looks forward optimistically to achieve similar targets in future.

During the year two new business opportunities were identified i.e. import of sugar and bitumen. Rs. 7,520.14 million of sugar and Rs. 1,261.73 million of bitumen were imported, which added boost to PEC's turnover. PEC foresees opportunities in warehousing facility at major ports of Country. A pre-feasibility study for setting up of warehousing facility at one major port of India is proposed in the year 2010.

PEC shall continue to lay added impetus on strengthening business in its core areas of trading e.g. coal/coke, steel, pulses, edible oils, bullion. PEC shall thus make best endeavours not only to sustain the present levels of turnover and profitability but to attain new heights by identifying new opportunities in trade and turning them into profitable business.

Cautionary Statement

Statement in the Management Discussions and Analysis describing the Company's projections, estimation, expectations may be "forward looking statement" within the meaning of applicable laws and regulations.

These statements are based on management's views and assumptions at the time information was prepared and involves known and unknown risks and uncertainties. Actual results could differ materially from those expressed or implied. The corporation expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any changes in the corporation's expectations with regards thereto or any change in events, conditions or circumstances on which any statement is based.

LAST 10 YEARS

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Sales	17292.0	22499.9	38598.8	58536.2	59613.2	37254.3	45179.1	56715.7	102747.8	110259.4
Exports	5722.0	6591.5	22438.0	16405.8	8813.8	3826.3	3567.7	9036.8	12617.8	12549.1
Domestic	536.0	588.4	1757.4	1239.8	873.3	1583.7	3305.9	4208.1	4927.2	8894.6
Imports	11034.0	15320.0	14403.4	40890.6	49926.1	31844.3	38305.5	43470.8	85202.8	88815.7
Income	252.5	271.9	431.9	590.5	402.7	467.9	694.0	909.8	1497.3	1455.5
Trading Income	239.7	260.5	427.9	582.3	395.0	455.2	685.5	892.5	1494.4	1454.6
Miscellaneous	10.7	7.8	1.8	1.7	1.6	6.5	0.2	5.8	1.2	0.1
Interest(Net)	2.1	3.6	2.2	6.5	6.1	6.2	8.3	11.5	1.7	0.8
Expenditure	199.7	215.8	223.9	223.8	169.0	263.3	273.0	277.9	374.5	425.9
Establishment	105.0	95.7	97.6	96.4	84.3	167.6	118.8	158.5	249.7	200.8
Administration	94.7	120.1	126.3	127.4	84.7	95.7	154.2	119.4	124.8	225.1
Prior Period Ajustment	-1.0	0.0	-1.4	0.0	-0.3	2.2	-2.4	-0.2	-0.2	-0.7
Profit before Tax	51.9	56.1	206.6	366.7	233.4	206.8	418.6	631.7	1122.6	1028.9
Tax	26.1	15.0	73.3	123.1	87.9	74.3	143.1	217.9	400.9	351.8
Profit After Tax	25.8	41.1	133.3	243.6	145.5	132.5	275.5	413.8	721.7	677.1
Capital Employed	976.2	261.4	4247.9	3132.9	2260.4	746.5	1140.2	3383.7	1807.4	4600.3
Shareholder's Funds	224.7	260.6	374.0	545.7	648.2	746.5	952.2	1260.7	1806.9	2320.3
Loan Funds	751.5	0.8	3873.9	2587.2	1612.2	0.0	188.0	2123.0	0.5	2280

BALANCE SHEET

as at 31 March 2010

(Amount in)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	20,00,00,000	20,00,00,000
Reserves and Surplus	2	2,12,02,94,074	1,60,69,18,554
Loan Funds			
a) Secured	3	68,00,00,000	5,11,956
b) Unsecured		1,60,00,00,000	-
Total		4,60,02,94,074	1,80,74,30,510
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	5,61,13,958	5,49,17,761
Less: Depreciation		4,59,96,401	4,32,52,868
Net Block		1,01,17,557	1,16,64,893
Investments	5	40,00,751	751
Deferred Tax Assets (Net)		10,64,81,906	6,82,17,966
Current Assets Loans and Advances			
Stocks	6	8,87,36,80,788	11,74,94,44,119
Sundry Debtors	7	30,81,02,37,905	25,39,72,17,566
Cash and Bank Balances	8	3,23,82,89,506	4,45,56,98,358
Loans and Advances	9	12,17,87,78,765	8,45,56,34,018
		55,10,09,86,965	50,05,79,94,061
Less: Current liabilities and provisions			
a) Current liabilities	10	50,36,81,71,148	48,08,14,12,637
b) Provisions	11	25,31,21,957	24,90,34,524
		50,62,12,93,105	48,33,04,47,161
Net current assets		4,47,96,93,860	1,72,75,46,900
Total		4,60,02,94,074	1,80,74,30,510
Notes to the accounts			
20			
The Schedules referred to above form an integral part of accounts.			
This is as per our report of even date.			

For **SAMSAND & Associates**
Firm Registration No.003708N
Chartered Accountants

For and on behalf of the Board
PEC Limited

Anand Parkash
Partner
Membership No.: 82735

A. K. Mirchandani
Chairman Cum-Managing Director

Rajiv Chaturvedi
Director

Place: New Delhi
Date: 19.07.2010

R. K. Taneja
Chief General Manager (Finance)

Ashok Kumar
Company Secretary

PROFIT & LOSS ACCOUNT

For the Period ended 31 March 2010

(Amount in)

	Schedule	Year Ended 31 March 2010	Year Ended 31 March 2009
INCOME			
Sales		1,10,25,93,90,202	1,02,74,78,43,584
Other Income	12	6,64,76,45,094	9,30,83,37,060
		1,16,90,70,35,296	1,12,05,61,80,64
Less: Cost of Sales	13	1,15,45,24,18,744	1,10,56,17,97,290
Trading Profit		1,45,46,16,552	1,49,43,83,354
Interest Income (Non Trade)	14	7,32,953	16,85,066
Miscellaneous Income (Non Trade)	15	1,15,588	12,42,288
Total		1,45,54,65,093	1,49,73,10,708
EXPENDITURE			
Salary and Allowances	16	20,08,01,333	24,97,27,083
Administrative Expenses	17	9,71,28,535	10,90,72,788
Payments to Auditors	18	11,03,745	9,92,700
Depreciation		56,57,189	56,79,617
Bad Debts		1,26,92,040	85,06,329
Provision for Doubtful Debts		10,85,21,308	4,95,873
Total		42,59,04,150	37,44,74,390
Profit Before Amortization & Prior Period Items		1,02,95,60,943	1,12,28,36,317
Prior Period Adjustments	19	(6,56,364)	(2,16,007)
Profit Before tax		1,02,,89,04,579	1,12,26,20,310
Less: Income Tax			
- Current Tax		39,00,00,000	38,00,00,000
- Income Tax for Earlier Year		-	(1,50,32,111)
- Deferred Tax		(3,82,63,940)	3,23,79,027
- Fringe Benefit Tax		-	35,50,000
Profit After Tax		67,71,68,519	72,17,23,394
APPROPRIATIONS			
Profit After Tax		67,71,68,519	72,17,23,394
Interim Dividend paid		-	4,00,00,000
Add: Corporate Dividend Tax		-	67,98,000
Proposed Dividend		14,00,00,000	11,00,00,000
Add: Corporate Dividend Tax		2,37,93,000	1,86,94,500
Trading Flactution Reserve		9,64,00,000	4,46,00,000
Transfer to General Reserve		41,69,75,519	50,16,30,894
Earning Per Share (Basic & Diluted)		339	361
Notes to the Accounts	20		

The schedules referred to above form an integral part of Accounts.

As per our report of even date.

For **SAMSAND & Associates**
Firm Registration No.003708N
Chartered Accountants

For and on behalf of the Board
PEC Limited

Anand Parkash
Partner
Membership No.: 82735

A. K. Mirchandani
Chairman Cum-Managing Director

Rajiv Chaturvedi
Director

Place: New Delhi
Date: 19.07.2010

R. K. Taneja
Chief General Manager (Finance)

Ashok Kumar
Company Secretary

SCHEDULE

FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in)

	Schedule	Year Ended 31 March 2010	Year Ended 31 March 2009
Schedule 1 : Share Capital			
Authorised 30,00,000 Equity Shares (Previous Year 30,00,000) of Rs 100/- each		300,000,000	300,000,000
Issued, Subscribed & paid up 20,00,000 Equity Shares (Previous Year 20,00,000) of Rs.100/- each fully paid up (Entire Share Capital is held by the President of India and his nominees) (18,00,000 Equity Shares of Rs. 100/- each issued as Bonus Shares by way of capitalisation of Reserves)		200,000,000	200,000,000
		200,000,000	200,000,000
Schedule 2: Reserves & Surplus			
General Reserve Opening Balance Add: Additions during the year Less: Adjustment during the year		1,553,318,554 416,975,519	1,231,687,660 501,630,894 180,000,000
	(A)	1,970,294,074	1,553,318,554
Trading Fluctuation Reserve Opening Balance Add: Additions during the year Less: Adjustment during the year		53,600,000 96,400,000 -	9,000,000 44,600,000 -
	(B)	150,000,000	53,600,000
Total (A)+(B)		2,120,294,074	1,606,918,554
Schedule 3: Loan Funds			
Secured			
In Cash Credit Accounts (against hypothecation of book debts and stock)		-	511,956
As Packing Credit (against hypothecation of book debts and stock) Societe Generale		380,000,000	-
As Short Term Loans (against hypothecation of book debts and stock) Corporation Bank		300,000,000	-
Total (A)		680,000,000	511,956
Unsecured As Short Term Loans Bank of Baroda State Bank of Bikaner and Jaipur		1,000,000,000 600,000,000	- -
Total (B)		1,600,000,000	-
TOTAL (A)+(B)		2,280,000,000	511,956

SCHEDULE-4 : FIXED ASSETS

DEPRECIATION SCHEDULE FOR THE YEAR ENDED ON 31.03.2010

Particulars	Gross Block				Depreciation				Written Down Value	
	As On 1.4.2009	Additions 2009-10	Deductions 2009-10	Total 31.03.2010	As On 1.4.2009	Additions 2009-10	Deductions 2009-10	As On 31.03.2010	As On 31.03.2010	As On 31.3.2009
Building-Flats (Free hold)	3,507,261	-	-	3,507,261	3,253,800	18,540	-	3,272,340	234,922	253,461
Furniture & Fittings	10,975,124	457,627	201,774	11,230,976	8,178,297	1,059,980	198,790	9,039,487	2,191,489	2,796,827
OfficeEquipment	14,861,676	2,112,327	2,041,283	14,932,720	12,761,809	1,574,933	1,807,505	12,529,237	2,403,483	2,099,867
Data Processing (Computer & Accessories)	18,710,152	1,345,019	620,799	19,434,372	14,962,672	2,210,795	606,562	16,566,906	2,867,466	3,747,480
Air Conditioner	3,560,164	474,329	329,249	3,705,244	2,802,546	253,036	300,799	2,754,783	950,461	757,618
Vehicles	3,303,384		-	3,303,384	1,293,744	539,905	-	1,833,649	1,469,735	2,009,640
Grand Total	54,917,761	4,389,302	3,193,105	56,113,958	43,252,868	5,657,189	2,913,656	45,996,401	10,117,556	11,664,893
PreviousYear	51,211,615	6,602,972	2,896,826	54,917,761	40,411,576	5,679,617	2,838,325	43,252,868	11,664,893	10,800,039

SCHEDULE

FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in)

Schedule	Year Ended 31 March 2010	Year Ended 31 March 2009
Schedule 5 : Investments		
Shares in Neelam Gulzar Co- Operative Housing Society Ltd., Mumbai (15 Ordinary shares of Rs 50/- each fully paid up)--(unquoted)	750	750
Shares in Indian Bullion Market Association Limited (4,00,000 Shares of Rs. 10/- each fully paid up-(Unquoted)	4,000,000	-
Investment In Subsidiary Company		
Tea Trading Corporation of India Limited	1	1
Total	4,000,751	751
Schedule 6 : Stock-in-Trade		
Stock-in-Trade (including with handling/local agents) (As valued and certified by management)*	7,806,665,350	9,535,143,111
Goods in transit	1,067,015,439	2,199,673,920
Stock with Consignment Agent	-	14,627,088
Total	8,873,680,789	11,749,444,119
*Basis of Valuation as per Accounting Policy No. 8.0		
Schedule 7 : Sundry Debtors		
Outstanding for a period exceeding six months		
Secured-Considered good	5,958,239,097	7,781,324,684
Unsecured -- Considered Good	1,640,496,478	1,942,562,131
-- Considered doubtful	216,937,646	109,207,106
	7,815,673,221	9,833,093,921
Less : Provision for doubtful debts	216,937,646	109,207,106
	(A) 7,598,735,575	9,723,886,815
Other debts		
Secured-Considered good	20,526,759,362	13,402,090,703
Unsecured -- Considered Good	2,684,742,968	2,271,240,048
	(B) 23,211,502,330	15,673,330,751
Total (A)+(B)	30,810,237,905	25,397,217,566
Schedule 8 : Cash & Bank Balances		
Cash & stamps	3,267	2,006
With Scheduled Banks		
In Current Accounts	343,666,410	448,127,646
In Cash Credit Accounts	845,885,404	212,882,451
In Short Term Deposit Accounts	2,015,677,186	3,766,173,849
In EEFC Accounts	32,748,830	28,154,772
Balance in Current Account with Non Scheduled Banks:		
National Commercial Bank Albeida, Libya (Refer Note no.4(i))	308,409	357,634
	-	-
Total	3,238,289,506	4,455,698,358

SCHEDULE

FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in)

Schedule	Year Ended 31 March 2010	Year Ended 31 March 2009
Schedule 9 : Loans & Advances		
1. Secured - Considered Good		
(a) Advance to Employees	3,364,560	2,540,598
(b) Interest Accrued On Advances to employees	1,972,763	2,265,391
(c) Advances Recoverable in cash or kind for value to be received		
(i) To Suppliers	2,377,675,368	1,064,552,912
(ii) Sales Tax	-	317,132
(d) Advances to Associates	1,723,533,152	937,164,830
2. Unsecured - Considered Good		
(a) Interest accrued but not due		
(i) On Advances to employees	7,556,796	8,672,300
(ii) Others	296,189,440	259,417,246
(b) Due from others		
(i) From suppliers & contractors etc.	31,282,722	154,237,007
(ii) Claims recoverable		
(1) Against Subsidy receivable from Govt. of pulses and edible oil	7,307,630,900	5,708,736,806
(2) Others	124,396,882	77,266,050
(iii) Deposit - Others	137,710,630	116,393,894
(c) Advances recoverable in cash or in kind or for which value is to be received		
(i) Advances to employees	4,848,059	6,246,704
(ii) Other Advances	27,804,374	20,147,804
(iii) Prepaid expenses	2,531,331	4,675,219
(iv) VAT Recoverable	84,035,322	9,412,251
(vi) Other Advances (Advances to Associates)	35,633,029	83,587,874
(d) Service Charges Accrued but not due	12,613,437	-
3. Unsecured - Considered Doubtful		
Advances to suppliers, contractors etc.	2,662,256	3,321,456
Less: Provision for Doubtful Advances	(2,662,256)	(3,321,456)
Total	12,178,778,765	8,455,634,018
Schedule 10 : Current Liabilities		
Sundry Creditors (Inclusive of Trade Liabilities)	45,270,019,138	43,949,488,096
Advances from Customers	4,619,026,940	3,427,434,544
Other Liabilities	293,627,663	303,350,397
Sales Tax / VAT Payable	27,251,565	5,688,523
Interest accrued but not due	114,875,626	276,387,986
Withholding Tax / TDS Payable	24,660,329	79,872,166
Service tax Payable	18,654,987	20,227,026
Security Deposits	54,900	18,963,900
Total	50,368,171,148	48,081,412,638
Schedule 11 : Provisions		
Provision for Income Tax (Net)	89,260,386	120,051,003
Provision for Fringe Benefit Tax (Net)	68,571	289,021
Proposed Dividend	140,000,000	110,000,000
Corporate Dividend Tax	23,793,000	18,694,500
Total	253,121,957	249,034,524

SCHEDULE

FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in)

Schedule	Year Ended 31 March 2010	Year Ended 31 March 2009
Schedule 12 : Other Income		
Commission	85,849,363	233,143,935
Interest (Trade)	1,002,767,255	1,410,958,970
Interest from Bank (Net)	110,175,211	295,010,075
Liabilities Created in previous years written back	99,230,225	73,356,726
Provisions of Doubtful Debts made in previous year written back	1,449,968	13,278,095
Recoveries from Associates	417,105	34,476,080
Duty Draw Back	4,635,682	55,408,614
Sale of VKGUY Licence	23,965,253	285,501,499
Difference in Exchange	1,837,421,622	-
Misc. Receipt/ Income	3,481,733,410	6,907,203,066
Total	6,647,645,094	9,308,337,060
Schedule 13 : Cost of Sales		
Opening Stock (including goods- in-transit)	11,749,444,119	10,496,687,310
Purchases	107,837,956,032	103,849,507,692
Custom Duty	662,062,995	640,984,067
Freight	950,869,317	384,545,146
Clearing & Handling Charges	438,819,097	232,181,808
Insurance	15,464,935	29,756,695
L/C & Negotiation Charges	49,015,492	117,043,659
Trade Expenses	1,780,385,991	2,098,720,161
Commission	9,688,794	12,709,838
Finance Cost	832,392,760	1733235722
Difference in Exchange	-	2,715,869,311
	124,326,099,532	122,311,241,409
Less: Closing Stock(including goods -in-transit)	8,873,680,788	11,749,444,119
Total	115,452,418,744	110,561,797,290
Schedule 14 : Interest Income (Non Trade)		
On Advances to Staff	732,953	818,251
On Unit Trust of India Bonds	-	866,815
Total	732,953	1,685,066
Schedule 15 : Miscellaneous Income (Non Trade)		
Profit/(Loss) on Sale of Fixed Assets	(19,028)	206,594
Liabilities Created in previous years written back	19,939	-
Miscellaneous Receipts	114,677	1,035,694
Total	115,588	1,242,288
Schedule 16 : Salary & allowances		
Directors		
Pay & Allowances	3,061,529	4,479,129
Provident Fund & Pension Contribution	395,768	639,144
Leave Travel Concession	67,238	125,470
Medical Expenditure	98,820	168,784
Productivity Linked Reward	3,310,000	1,300,000
Leave Encashment	158,672	1,848,754
Rent Residential	1,460,519	788,529
Welfare Expenses	-	30,000
Others		
Pay & Allowances	103,014,043	99,340,427
Provident Fund & Pension Contribution	10,946,393	12,960,128
Ex-Gratia	-	5,341,585
Gratuity	-	37,052,905
Productivity linked reward	27,490,000	29,000,000
Staff Welfare Expenses	12,493,712	8,299,229
Medical Expenditure	26,598,021	22,629,128
Leave Travel Concession	2,084,108	808,909
Leave Encashment	9,622,510	24,580,512
Foreign service contribution	-	334,450
Total	200,801,333	249,727,083

SCHEDULE

FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in)

	Year Ended 31 March 2010	Year Ended 31 March 2009
Schedule 17 : Administrative Expenses		
Rent	21,688,305	16,544,888
Rate & Taxes	6,429	8,648
Electricity	2,985,680	3,032,664
Printing & Stationery	3,156,253	2,865,733
Postage, Telegram, Teleprinter, Telex	37,151	43,432
Telephone & Fax	4,486,390	4,927,520
Books & Periodicals	1,866,817	1,839,165
Repairs & Renewals (Others)	4,444,442	3,498,623
Repairs & Renewals (Building)	886,490	653,717
Insurance	127,438	98,853
Travelling (Inland)	6,268,164	9,000,158
(Including Rs. 4,78,972/- for Directors, Previous year Rs.3,54,468/-)		
Travelling (Foreign)	6,213,992	9,797,796
(Including Rs. 17,50,725/- for Directors, Previous year Rs.11,05,738/-)		
Service Vehicle	501,065	728,055
Selection & Training & Seminars	1,899,348	2,486,132
Legal Expenses	1,276,221	1,617,055
Entertainment	2,708,006	3,039,429
(Including Rs. 5,44,801/- for Directors, Previous year Rs.7,35,297/-)		
Bank Charges	3,426,922	4,623,285
Advertisement & Publicity	1,184,569	1,452,142
Other Expenses	554,494	1,379,438
(Including hospitality Gifts Rs. 5,01,965/-, Previous year Rs.7,55,928/-)		
Difference in Exchange	14,739	8,587
Professional Charges/Consultancy Charges	7,653,775	7,460,463
Conveyance & Car Hire	8,493,965	8,465,511
Lease Rentals for I T Services	3,966,659	9,701,560
Miscellaneous Expenses	13,281,221	15,699,934
Donation	-	100,000
Total	97,128,535	109,072,788
Schedule 18 : Payment to Auditors		
A Payment to Statutory Auditors (Including Service Tax)		
a) For Statutory Audit Fees		
I) Head Office	661,800	661,800
b) For Tax Audit Fees		
I) Head Office	330,900	330,900
c) Other	111,045	-
Total	1,103,745	992,700
Schedule 19: Prior Period Adjustments		
Sales	-	-
Miscellaneous Income	-	772,543
	A	772,543
Other Expenses	656,364	988,550
	B	988,550
Total	(656,364)	(216,007)
	A-B	(216,007)

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2010

1. Contingent liabilities in respect of :

(Rs. Lakhs)

		As on 31 March 2010	As on 31 March 2009
a	(i) Guarantees issued by banks on behalf of PEC	9,678.57	1,749.50
	(ii) Letters of Credits opened by banks (As certified by Banks & Management)	5,57,666.79	4,25,967.30
	(iii) Bill Discounting under Local L/Cs	12,966.71	29,635.60
b	Claims against the company not acknowledged as Debts (excluding legal cases where amounts are unascertainable)	7208.86	3,653.60
c	(i) Amount realized against bank guarantees valuing Rs.5.88 Cr. invoked pending finalization of Court Case. (refer Note - 2.1)	400.00	400.00
	(ii) Interest on c (i) above.	1,552.51	1,486.51

2.1 Loans and Advances - Claims recoverable include Rs 6.68 Crore recoverable from an associate since long towards balance against the payment of Rs.11.10 Crore (including Rs.61.78 lakh due to buyer towards outstanding advance under 'Agreement and Release' with the Buyer) under the Cement Plant Project in Indonesia. Advance is not considered as doubtful since there is a corresponding liability of Rs. 6.84 Crore in books of the Company. The matter is sub-judice.

2.2 Claims recoverable include an amount of Rs. 273.72 Cr. under old scheme and Rs. 26.28 Cr. under PDS scheme towards loss on import and sale of edible oil in domestic market on Govt. account which is to be compensated by way of subsidy from the Govt. under old scheme, subsidies of varied amounts at different point of time were announced by the Central Govt. but no separate accounts are maintained for the same.

2.3 Claims recoverable include an amount of Rs. 289.98 Cr. under old scheme and Rs. 140.79 Cr. under PDS scheme towards loss on import and sale of pulses in domestic market on Govt. account which is to be compensated by way of subsidy from the Govt. under old scheme, subsidies of varied amounts at different point of time were announced by the Central Govt. but no separate accounts are maintained for the same.

3. Loans and advances - Advances to staff include Rs. 54,35,653/- to officers and Rs. NIL to Directors (Previous year - Rs. 55,58,848/- and Rs. Nil). Maximum balance during the year is Rs. 69,12,360/- and Rs. NIL respectively (Previous year - 70,34,279/- and Rs. NIL respectively).

4.1 An amount of LD 8594.98 (equivalent to Indian Rupees 3,08,409/- @ Closing Rate of 1LD = Rs. 35.8825 as on 31.03.2010) (which is non-repatriable) is lying with National Commercial

Bank, Al Beida, Libya since 1995 (Schedule - 8). Confirmation Certificate from Bank is not forthcoming.

4.2 Other liabilities under the head current liabilities includes-

	31-03-2010	31-03-2009
Leave Encashment	7,67,52,725	7,10,54,314
CPF Contribution on Earned Leave	39,60,905	34,28,939
Gratuity	NIL	3,34,63,872
Post Retirement Medical Benefit	11,49,50,012	10,10,57,992

5. Income Tax assessment has been completed up to the Assessment Year 2007-08. Demand of Rs. 50,61,353/- has been raised by assessing officer for the assessment year 2007-08 under sec. 143(3) of the Income Tax Act 1961, against which Company filed an appeal before Commissioner of Income Tax(Appeal).

6. The VAT Payable/Receivable as on 31.03.2010 is subject to reconciliation with VAT returns filed during the year with various VAT Authorities.

7.1 Balances in parties accounts are subject to reconciliation/confirmation and adjustments that may arise on reconciliation.

7.2 Current liabilities include balances that are subject to reconciliation/confirmation and consequential adjustments.

8. Sundry Creditors of Rs. 3,068.15 Crore are correspondingly matching with the amount of Sundry Debtors of Rs. 2549.33 Crore and the amount on realization shall be paid to Sundry Creditors.

9. Total Sundry Creditors of Rs. 4527.00 Crore includes the Buyer's Credit amounting to Rs.2106.07 Crores.

10. Sundry Debtors include Rs. 2,648.50 Crores

against which company holds security, as pledge of the goods sold to the Associates.

11. In terms of accounting policy 4.2 for Purchases & Sales, export sale, contracts worth Rs. 52.63 Crore have been executed through associates to whom the LCs have been assigned corresponding to purchase price of Rs. 50.47 Crore.
- 12.1 The Closing Stock of the pulses on Government account except yellow peas is valued at total cost of purchases/ total qty. purchased minus shortages plus (direct expenses/ op. stock qty. plus purchased qty. minus shortages).
- 12.2 The Closing Stock in respect of pulses imported on Govt. account totaling to Rs. 543.23 crores has been valued as per clause 12.1 as losses are to be compensated by Govt. by way of subsidy as per respective scheme.
- 12.3 The Closing Stock in respect of edible oil imported on Govt. account totaling to Rs. 57.58 crores has been valued at cost including storage & incidental charges as losses are to be compensated by Govt. by way of subsidy.
13. In reference to accounting policy No. 6(ii), the date of actual realization of export sale proceeds is considered as the date of transaction. In case of export sale invoices still outstanding, the sale and purchase transaction have been translated by applying the exchange rate prevailing as at the closing date.
14. The Company has entered into an agreement with an associate on joint operations for crushing of soya seeds, purchase & sale of agro commodities and trading on NCDEX on profit sharing basis. The share of profit of the company through the joint operations for the year is Rs.1,37,11,918/- (Rs.3,18,57,516/- previous year). However name of the joint operating partner along with nature of the contract & figure regarding Sales, Purchase, Expenses, Assets, Liabilities of joint operation are not disclosed as required by AS - 27 due to competitive nature of the operation which are booked under respective heads in the company's books of accounts.
15. Since there is no confirmation from Associates/Suppliers, the amount due to Micro, Small and Medium Enterprises cannot be ascertained in terms of Section 22 of the "Micro, Small & Medium Enterprises Development Act , 2006".
16. The Sundry Debtors as well as Sundry Creditors, outstanding as at the close of the year in foreign currency relating to export/import of goods have been translated at the exchange rate prevailing on the closing date. However majority of such transactions are covered under corresponding sale or purchase contracts on back to back basis. The exchange rate difference, if any, in such cases shall be recovered or paid to the respective associates and hence there shall be no effect on the net profit of the company.
17. Total number of foreign tours undertaken by the company officials during the year is 50 (previous year 67).
18. No staff car has been provided for the exclusive use of Directors. For private use of cars, recovery of Rs. 6,240/- (previous year Rs 6,760/-) in case of CMD and Rs. 11,590/- (previous year Rs. 10,535/-) in respect of Directors was made during the year.
19. The Company has been granted exemption by Department of Corporate Affairs from disclosing information as required under Sec.211 (4) para 3(i)(a) and 3(ii)(b) of part II, Schedule VI to the Companies Act, 1956 and as such these are not disclosed. The information Under Para 3 (ii) (d) of Part II, Schedule VI of the Companies Act, 1956, however, is annexed separately.
- 20.1 Pay and Allowances include Rs Nil (previous year – NIL) towards pay and allowances to staff employed for public relations. Expenditure on advertisement and publicity is Rs. 11,84,569/- (previous year Rs. 14,52,142/-).
- 20.2 Salary or Allowances - In line with DPE Guidelines, a performance relating payment & productivity linked reward scheme had been designed. An amount of Rs. 308 lakh (previous year Rs. 303 lakh) has been charged to the accounts for the current year.
- 21.1 The Fixed Deposits comprise of deposit of Rs. 56 Cr. with SBI, Tolstoy Marg, New Delhi which is made under the directions of the court in respect of legal dispute against the party M/s. Thai Maparn Trading Company.
- 21.2 Lien has been created in favour of Kerala VAT Dept. on the Fixed Deposit of Rs. 75000/-.
- 21.3 Security deposits consists of Rs. 30 Lacs paid to DGCEI office CGO complex as deposit under protest (Remitted to the account of Commissioner Customs, Kandla) on account of duty draw back availed by the Company and is disputable.

22. While finalizing MOU for the financial year 2008-09, Task Force opined that PEC could consider setting up a corpus fund created out of the profits realized out of the trading operation to offset possible future losses which could arise out of the adverse market conditions in the course of trading. The fund earmarked for the corpus will not form a part of the overall profit of the organization in the balance sheet & sequestered into a "Special Purpose Trading Risk Fund". Therefore a sum of Rs. 964 lakh has been appropriated during financial year 2009-10 to Special Purpose Trading Risk Fund.

23. Information as required by Ministry of Law, Justice

	2009-2010	2008-2009
Expenditure in foreign currency		
CIF/FOB value of imported materials	855065.70	913457.41
Foreign offices	0	0
Foreign tours	28.60	39.33
Other Expenses	6135.19	13343.52
Total	861229.49	926840.26
Earnings in foreign currency		
FOB value of Exports	110582.47	114767.63
Others (Service Charges)	0	0
Total	110582.47	114767.63

25. Deferred tax

	Deferred Tax Assets / Liability 31.03.2010	Deferred Tax Assets / Liability 01.04.2009
Deferred Tax Assets		
Depreciation	31,33,931	27,63,248
Expenses allowed on payment basis	2,74,34,563	2,53,16,858
VRS Compensation	12,71,405	18,89,401
Provision for Doubtful Debts & Advances	7,46,42,007	3,82,48,459
Total Deferred Tax Assets	10,64,81,906	6,82,17,966

Note – In compliance of Accounting Standard-22, issued by the Institute of Chartered Accountants of India, the deferred tax of Rs. 3,82,63,940/- has been calculated and credited in Profit & Loss Account for the year.

26. Current assets, loans and advances as stated in the financial accounts, will not be less than the value, if realized, in the ordinary course of business.

27. Wherever necessary, previous figures have been recast and regrouped in order to make them comparable.

and Company Affairs (Deptt. of Company Affairs) Notification No. GSR-129 (E) dated 22.02.1999. Since there is no confirmation from Associates/Suppliers, the amount due to small-scale industries undertaking cannot be ascertained.

24. The information as required under para 4D(a), (b), (c) and (e) of part II of Schedule VI of the Companies Act, 1956 is as under: -

28. Related Party Transaction

(a). Key Management Personnel

Full-Time Director

- i. Sh. A.K Mirchandani - Chairman-cum-Managing Director
- ii. Sh. Rajiv Chaturvedi - Director.
- iii. Sh. Ravi Kumar - Director.

Part Time Director

- i. Sh. V.D. Alam - Part Time Director
- ii. Mrs. Aditi Das Rout (w.e.f. 30.03.2010) - Part Time Director
- iii. Sh. T.Srinidhi (up to 30.03.2010) - Part Time Director

- (b) The remuneration to the above Full Time Director's was paid by the Company as per the rules of the corporation and is disclosed in the financial statements under Salary & Allowances Schedule – 16. However, no salary has been paid to Part Time Director's during the Year.
- (c) During the year the Company held by itself 100% of the nominal value of the equity share capital of its subsidiary - Tea Trading Corporation of India Limited (TTCL Ltd.). No officials of PEC held key management position in the above company & there is no transaction with the subsidiary company. However, the TTCL Ltd is under Liquidation.
29. The particulars in regards to the subsidiary Tea Trading Corporation of India Limited pursuant to section 212 of the Companies Act, 1956 relating to the Subsidiary Company is not given as the Company is under Liquidation.

For **SAMSAND & Associates**
Firm Registration No.003708N
Chartered Accountants

For and on behalf of the Board
PEC Limited

Anand Parkash
Partner
Membership No.: 82735

A. K. Mirchandani
Chairman Cum-Managing Director

Rajiv Chaturvedi
Director

Place: New Delhi
Date: 19.07.2010

R. K. Taneja
Chief General Manager (Finance)

Ashok Kumar
Company Secretary

ANNEXURE

TO NOTE NO. 23 OF THE NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Export									
AERIAL FILM UNPERFORATED	MT	-	-	60,000.00	4,951,476.00	60,000.00	5,935,980.00	-	-
BARLEY	MT	-	-	19,350.68	161,773,620.00	19,350.68	163,462,934.00	-	-
BENZENE	MT	-	-	3,895.71	163,240,290.00	3,895.71	172,401,020.00	-	-
CHEMICAL	MT	-	-	1,019.46	29,594,746.00	1,019.46	29,893,683.00	-	-
DEMOLITION STORES	NOS	-	-	69,070.00	20,100,092.00	69,070.00	22,392,246.00	-	-
EKRAN FILM	MT	-	-	10,000.00	390,906.00	10,000.00	468,122.00	-	-
IRON ORE FINES	MT	-	-	3,103,116.55	6,244,924,918.00	3,103,116.55	6,306,935,981.00	-	-
LINE HARDWARE	NOS	-	-	1,109,449.00	223,459,813.00	1,109,449.00	233,882,195.00	-	-
MAIZE	MT	-	-	6,720.00	55,960,692.00	6,720.00	56,525,952.00	-	-
MEDICAL EQUIPMENT	NOS	-	-	1,000,000.00	5,272,992.00	1,000,000.00	5,492,700.00	-	-
MISC ITEMS	ASSORTED	-	-	1,508.00	34,950,414.00	1,508.00	36,140,250.00	-	-
RICE	MT	-	-	141,100.00	3,633,516,647.00	141,100.00	3,650,748,324.00	-	-
SOYAMEAL	MT	31.00	424,840.00	76,303.85	861,002,263.00	76,289.86	1,450,136,635.00	45.00	878,718.00
TATA SUMO	NOS	-	-	1.00	491,952.00	1.00	516,550.00	-	-
AMBULANCE TRANSFORMERS	NOS	-	-	2,274.00	400,116,063.00	2,274.00	414,112,603.00	-	-
Total (A)			424,840.00		11,839,746,884.00		12,549,045,175.00		878,718.00

ANNEXURE

TO NOTE NO. 23 OF THE NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Import									
AMMONIUM NITERATE	MT			32,800.00	340,784,400.00	32,800.00	346,046,561.00	-	-
BITUMEN	MT	7,234.31	143,914,437.00	49,929.93	1,101,258,047.00	57,164.24	1,261,730,110.00	-	-
CHEMICALS	MT	615.00	22,243,379.00	97,601.28	1,876,733,534.00	97,605.28	1,874,530,927.00	611.00	49,796,698.00
CHICK PEAS	MT	23,317.99	581,423,243.00	89,704.47	1,980,058,455.80	100,530.49	2,071,373,144.61	12,491.98	319,356,368.00
COAL	MT	139,188.85	579,056,805.20	3,073,756.72	16,629,015,069.89	3,130,187.70	18,632,193,719.55	82,757.87	348,455,057.00
COPRA	MT	-	-	1,700.00	12,466,916.00	1,700.00	12,591,585.00	-	-
EXPPELLER CAKE									
CORN	MT	-	-	1,874.00	47,264,977.00	-	-	1,874.00	47,264,977.00
COTTON SEED OIL	MT	-	-	5,069.51	214,146,487.00	5,069.51	216,823,294.00	-	-
CRUDE PALM OIL	MT	-	-	17,074.31	596,823,115.00	17,074.31	603,939,563.42	-	-
DIAMOND	CRTS	184,472.46	225,212,525.00	190,711.89	407,935,819.00	188,771.27	250,376,634.00	186,413.08	379,008,341.00
DUN PEAS	MT	5,298.14	133,550,963.00	2,308.94	42,220,321.00	5,855.39	96,644,244.00	1,751.69	36,227,666.00
GOLD	KGS	25.00	14,627,088.00	15,850.00	24,302,717,163.00	15,875.00	24,575,956,142.00	-	-
GREEN LENTILS	MT	-	-	13,484.96	519,586,285.00	6,015.08	215,514,597.00	7,469.88	306,906,309.00
H.R. STEEL	MT	-	-	49,376.71	1,269,196,738.00	45,541.11	1,177,696,144.00	3,835.60	104,298,494.00
IRON ORE	MT	-	-	46,400.77	250,397,541.00	46,400.77	252,901,516.00	-	-
JUTE	MT	1,392.23	25,613,215.00	8,016.85	181,941,806.00	8,713.42	193,979,655.00	695.66	16,277,399.00
LAM COKE	MT	33,000.00	492,376,500.00	421,098.24	5,761,574,806.00	454,098.24	6,289,488,043.00	-	-
MANGANESE ORE	MT	-	-	110,240.00	1,060,250,346.00	110,240.00	1,075,534,632.00	-	-
MISC ITEMS	ASSORTED	3,180.00	8,940,720.00	337,002.28	142,545,191.00	340,182.28	153,660,291.00	-	-
MOONG	MT	5,863.77	195,728,462.00	14,758.64	624,811,450.00	16,655.38	658,206,556.27	3,967.02	176,944,547.00
PET BOTTLE SCRAP	MT	-	-	864.41	16,597,536.00	864.41	16,763,511.00	-	-
PHARMA CHEMICALS	MT	-	-	658,601.60	618,606,153.00	658,601.60	625,838,720.00	-	-
RBD PALM OLEIN	MT	-	-	65,648.35	2,382,693,170.00	53,198.96	1,710,607,809.00	12,449.39	474,761,323.00
RED LENTILS	MT	6,932.79	316,144,621.00	8,750.22	371,428,611.00	7,767.40	305,716,652.00	7,915.61	355,397,353.00
SILVER	KGS	-	-	34,547.74	838,304,013.00	34,547.74	869,954,217.00	-	-
SKIMMED MILK POWDER SPRAY	MT	-	-	500.00	40,868,250.00	500.00	41,379,103.00	-	-
SOYABEAN OIL	MT	30,853.70	2,141,548,389.00	12,913.81	536,523,995.00	41,452.02	1,651,491,501.29	2,315.49	101,086,745.00
STEEL	MT	-	-	9,889.57	299,997,995.00	9,889.57	304,665,722.00	-	-
STEEL SCRAP	MT	-	-	201,166.20	2,904,285,616.00	200,660.15	2,924,149,685.00	506.05	9,087,909.00
STEEL SLABS	MT	-	-	30,475.15	654,527,336.00	30,475.15	661,072,609.00	-	-
SUGAR	MT	-	-	303,514.73	7,719,532,604.00	295,717.30	7,520,139,342.83	7,797.43	269,690,320.00
TOOR	MT	41,143.33	1,236,142,468.00	156,120.19	7,093,499,011.00	130,736.99	5,091,629,073.24	66,526.53	3,187,012,003.00
URAD	MT	13,659.07	403,275,917.00	43,359.66	1,670,374,925.00	40,484.67	1,493,694,484.01	16,534.06	664,825,824.00
YARN/ ACRYLIC FABRICS	KGS	-	-	496,930.02	183,149,368.00	759,243.49	179,875,307.00	33,626.00	5,074,211.00
YELLOW PEAS	MT	216,873.92	4,860,519,365.00	177,725.76	2,440,406,887.73	376,701.90	5,095,142,297.12	17,897.77	437,728,218.00
ZINC	MT	-	-	3,496.36	361,696,989.00	3,496.36	364,409,717.00	-	-
Total (B)			11,380,318,097.20		85,494,220,927.42		88,815,717,109.34		7,289,199,762.00

ANNEXURE

TO NOTE NO. 23 OF THE NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Domestic									
ACRYLIC FABRICS	KGS	16,937.40	2,291,657.00	178,941.90	24,070,658.84	111,932.50	11,639,558.00	83,946.80	14,872,130.00
ARMOUR ALLOY STEEL PLATES	NOS	-	-	703.00	66,316,771.00	703.00	68,357,703.00	-	-
BARLEY	MT	-	-	2,452.92	20,560,028.00	2,452.92	20,543,205.00	-	-
BATTERIES	NOS	-	-	375.00	2,329,875.00	375.00	2,400,000.00	-	-
BINOCULAR	NOS	-	-	3.00	72,328.00	3.00	75,945.00	-	-
BULLET PROOF HELMETS	PCS	-	-	25.00	180,651.00	25.00	189,420.00	-	-
BULLET PROOF JACKETS	PCS	-	-	4,605.00	156,612,890.00	4,605.00	159,873,500.00	-	-
BULLET PROOF JACKETS L/W	PCS	-	-	351.00	9,223,423.00	351.00	9,514,650.00	-	-
BULLET PROOF MORCHA	PCS	-	-	103.00	6,432,495.00	103.00	6,621,933.00	-	-
BULLET PROOF OBSERVATION POST	NOS	-	-	30.00	27,344,438.00	30.00	28,161,052.00	-	-
BULLET PROOF PATKAS	NOS	-	-	25.00	111,277.00	25.00	116,667.00	-	-
CARTRIDGE DISFIGURING MACHINE	NOS	-	-	10.00	2,381,280.00	10.00	2,689,350.00	-	-
CHANA	MT	904.37	19,121,376.00	723.80	31,390,559.78	1,557.39	51,934,222.00	70.77	1,583,693.00
COAL	MT	-	-	956,881.99	3,924,143,178.15	956,881.99	3,943,119,024.96	-	-
CORIANDER	MT	-	-	289.72	11,951,114.00	289.72	11,964,396.00	-	-
COTTON	KGS	-	-	2,970,406.75	455,428,988.00	2,970,406.75	460,156,458.00	-	-
COTTON SEED CAKE	MT	1,591.74	16,247,457.00	5,043.41	57,672,212.58	3,813.04	43,729,136.43	2,822.11	31,805,180.00
EXTENSION MIRROR	NOS	-	-	6.00	27,000.00	6.00	28,350.00	-	-
HAND HELD SEARCH LIGHT	NOS	-	-	6.00	28,571.00	6.00	30,000.00	-	-
IRON ORE	MT	-	-	4,991.07	91,839,683.00	4,991.07	92,794,821.00	-	-
JUTE	QTLS	48,278.28	91,944,431.00	31,034.96	129,230,361.00	58,872.11	164,113,910.00	20,441.12	58,519,045.00
MAIZE	MT	-	-	16,416.67	144,626,801.00	16,416.67	143,164,983.00	-	-
METAL DETECTOR	NOS	-	-	8.00	61,905.00	8.00	65,000.00	-	-
MILLET	MT	-	-	11,104.80	92,021,182.00	7,702.80	61,451,655.00	3,402.00	32,050,118.00
MISC. ITEMS	ASSORTED	-	-	16,790,822.32	645,011,413.00	16,790,822.32	654,882,956.00	-	-
MS BILLETS	MT	-	-	2,299.94	57,463,709.00	2,299.94	58,061,330.00	-	-
OPTICAL FIBROSCOPE SETS	NOS	-	-	8.00	6,634,608.00	8.00	6,966,440.00	-	-
RM SEED	MT	6,409.06	136,515,548.00	76,107.96	1,988,651,636.37	29,239.82	741,678,041.32	53,277.20	1,403,121,126.00
SECURE DIGITAL PHONE	NOS	-	-	28.00	9,040,000.00	28.00	9,492,000.00	-	-
SHOT-X SHOOTING	NOS	-	-	26.00	4,324,277.00	26.00	4,454,000.00	-	-
SIFCON PANELS	NOS	-	-	1,411.00	37,448,632.00	1,411.00	39,292,206.00	-	-
SOLAR POWER PACKS	NOS	-	-	79.00	11,136,109.00	79.00	11,470,193.00	-	-
SOYA OIL	MT	62.86	2,522,400.00	6,869.65	-	6,900.32	283,493,080.00	32.19	482,970.00
SOYABEAN SEED	MT	116.26	2,190,661.00	38,834.17	873,756,070.00	38,837.43	67,667.00	113.00	45,200.00
STEAM COAL	MT	1,300.00	9,620,000.00	-	-	1,300.00	9,620,000.00	-	-
STEEL COILS	MT	-	-	25,726.87	693,486,552.52	25,726.87	700,990,957.00	-	-
TOOR	MT	-	-	394.67	18,532,885.00	394.67	20,201,716.00	-	-
URAD	MT	-	-	149.93	4,985,145.00	149.93	5,033,150.00	-	-
WHEAT	MT	8,039.25	88,247,652.00	74,557.55	899,459,513.00	79,239.84	1,066,189,241.84	3,356.97	41,122,846.00
Total (C)			368,701,182.00		10,503,988,220.24		8,894,627,917.55		1,583,602,308.00
Grand Total (A+B+C)			11,749,444,119.20		107,837,956,031.66		110,259,390,201.89		8,873,680,788.00

ACCOUNTING POLICIES

1.0 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- 1.1 The financial statements are prepared according to the historical Cost convention on accrual basis and in agreement with the fundamental accounting principles of prudence, consistency and materiality.
- 1.2 The financial statements are reported in Indian Rupee and all values are rounded off to the nearest Rupee unless otherwise stated.
- 1.3 The financial statements are prepared on the basis of generally accepted accounting principles in India, accounting standards issued by the Institute Of Chartered Accountants Of India and the provisions of the Companies Act 1956 as amended from time to time.

2.0 FIXED ASSETS

Fixed assets are stated at historical cost less depreciation. The cost of an asset comprises the purchase price and any expense, which is attributable of bringing the asset to its working condition for its intended use.

3.0 DEPRECIATION

On the basis of technical evaluation with regard to the total working life and salvage value, the fixed assets are being depreciated on Straight Line Method at the following rates:

Assets	Rates
Building – flats	5%
Furniture & Fittings	20%
Office Equipments	33.33%
Air Conditioners	20%
Data Processing Equipment-Computers	33.33%
Vehicles	20%
Audio Visual Equipment	33.33%

An asset costing Rs.5000/- or below is depreciated @100% in the year of purchase leaving token value of Re.1/- each without considering the working life of the asset.

4.0 PURCHASES AND SALES

Purchases and sales are accounted for by the Company on any of the following basis:

- 4.1 Purchase and Sales are recognized on the performance of contracts/ agreement wholly or partly by the Company.
- 4.2 In respect of back to back/ tripartite/joint execution/ third party arrangements/Letter Of Credit assigned to Associates, Purchases and Sales, Custom duty and other expenses are booked on the basis of document furnished by

the Business Associate as adjusted for the fixed trade margin accruing to the Company.

- 4.3 Sales include transactions under third party arrangements.
- 4.4 In case of dealings on the behalf of the government (including consignments under Government's gifts/ grant scheme), Purchases and Sales and incidental expenses or income thereof are accounted for under respective heads of accounts. Surplus or deficit to Government account, after adjusting service margin accrued to the Company is adjusted in trade income or cost of sales respectively.
- 4.5 Sales (including exports) are entered on the basis of date of Bill of lading/Airways Bill/Railway Receipts/ Lorry Receipts in preference of date of invoice.

5.0 REVENUE RECOGNITION

(A) INCOME

Revenue is accounted for on accrual basis except:

- (i) Interest on over dues recoverable, if any, where realization is uncertain.
- (ii) Decreed/Contested dues and interest thereon, if any.
- (iii) Liquidated damages from Suppliers/ Contractors, refund of Custom Duty, Income Tax and Sales Tax and interest thereon, if any.
- (iv) Export Benefits, Including Duty drawback and VKGUY licenses.
- (v) Miscellaneous income on account of damages or compensation recovered from the suppliers/buyers in respect of washed out contracts for imports or exports.
- (vi) Claims for refund of excess insurance premiums on open policies.
- (vii) On account of sale of residuals.
- (viii) Commission/Service charges on financing transactions which are accounted for at the time of settlement of accounts with the associates.

(B) EXPENSES

- (i) Cost of Sales - Expenses include expenses incurred by associates on behalf of the Company as per Agreement with the associates and are accounted for on the basis of statements furnished by them.
- (ii) Interest payable if any, on advances and progressive payments received from

associates & suppliers are accounted for on accrual basis.

6.0 FOREIGN CURRENCY TRANSLATIONS

- 6.1 Transactions denominated in foreign currency are recorded at the exchange rate prevailing at the time of transaction.
- 6.2 All monetary items denominated in foreign currency at the year-end are translated at year-end rates. In case of monetary items where the closing rate is unrealistic, translation rate is estimated based on past trend and expected realization/disbursement.
- 6.3 Non-monetary items other than fixed assets denominated in foreign currency are reported on exchange rate at the transaction date. Fixed Assets are reported on exchange rate as at the transaction date as increased/reduced by the exchange difference arising on the corresponding foreign currency liability.
- 6.4 Income or expense on account of exchange difference on settlement or translation is recognized in the Profit & Loss Account. Premium or Discount on forward exchange contracts is recognized on pro-rata basis with reference to the life of the forward contract except for forward covers taken at the behest of Business Associates.

7.0 INVESTMENTS

Long Term Investments are stated at Face value/book value. Any diminution, other than temporary in value of investment, is provided for.

8.0 STOCK

- 8.1 The stocks held by the company are physically verified by Surveyors or by the management and are stated accordingly.
- 8.2 Stocks in Trade are valued at lower of cost or realizable value. The cost includes purchase cost and other direct expenses. The net realizable value is the price receivable or price fixed by the company in consultation with the Competent Authority.
- 8.3 Stock in Trade held on Government Account is valued at cost; cost includes purchase cost and other expenses which are attributable.

9.0 TAXATION

- 9.1 Tax expense (tax saving) is the aggregate of current year tax and deferred tax charged (or credited) to the profit & loss account of the year.
- 9.2 Current Tax is the provision made for Income Tax liability on the profits for the year in

accordance with the provisions of the Income Tax Act, 1961.

- 9.3 Deferred Tax is recognized, on timing differences, being the differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.
- 9.4 Deferred Tax assets are recognized only to the extent that there reasonable certainty of their realization.
- 9.5 Deferred Tax assets and liabilities are measured using the tax rates and tax laws that enacted or substantially enacted at the balance sheet date.

10.0 RETIREMENT BENEFITS

- 10.1 The Gratuity has been charged on the basis of Actuarial Valuation, which has since been paid to the Gratuity Trust Fund recognized under Indian Income Tax Act, 1961.
- 10.2 Liability for leave encashment, both earned leave and half pay leave standing to the credit of employees at the close of the year, as assessed on the basis of actuarial valuation, and liability for employer's contribution for PF on earned leave is being provided.
- 10.3 Liability in respect of post-retirement medical benefit assessed on the basis of actuarial valuation has been provided in respect of present and retired employees.

11.0 PRIOR PERIOD ADJUSTMENT

Expenditure/Income relating to previous year is shown in the accounts under the head "Prior Period Adjustment Account" as per the provisions of AS-5 (Net Profit & Loss for the period, Prior Period Items and Changes in Accounting Policies) issued by Institute of Chartered Accountants of India.

12.0 USE OF ESTIMATES

In preparing company's financial statements in conformity to generally accepted accounting practices and policies in India, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue & expenses during the reporting period. Actual results however, could differ from those estimates. Any revision to Accounting Estimates is recognized prospectively in current & future periods.

13.0 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

Provision involving substantial degree of estimation are

recognized when there is a present obligation as a result of past events and its probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes of accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

14.0 CASH FLOW ON OPERATING ACTIVITIES

Cash Flows relating to trade finance provided by

Business Associates or the Company for the execution of the trading contracts including utilization of the finance towards fixed deposits with banks for opening letters of credit in favour of suppliers and refund/payments/recovery of interest thereon as per the terms of Contract are treated as part of Operating Activities.

As per our report of even date.

For **SAMSAND & Associates**
Firm Registration No.003708N
Chartered Accountants

For and on behalf of the Board
PEC Limited

Anand Parkash
Partner
Membership No.: 82735

A. K. Mirchandani
Chairman Cum-Managing Director

Rajiv Chaturvedi
Director

Place: New Delhi
Date: 19.07.2010

R. K. Taneja
Chief General Manager (Finance)

Ashok Kumar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

(Rs. in Lakh)

	Year Ended 31 March 2010	Year Ended 31 March 2009
Cash flow from operating activities		
Net profit before tax and extra ordinary items	10,296	11,228
Adjustment for		
Prior Period items		
Depreciation	57	57
Income from Investment	-	(9)
Provision for doubtful debt/Loans & Advances written back	(14)	(133)
Provision for doubtful debts	1,085	5
Liability no longer required written back	(993)	(734)
(Profit)/loss on sale of fixed assets	-	(2)
Operating profit before working capital change	10,431	10,412
(Increase)/Decrease in Sundry Debtors	(55,209)	(121,916)
(Increase)/Decrease in inventories	28,758	(12,528)
Increase/(Decrease) in trade & other payable	23,860	211,277
(Increase)/Decrease in Loans & Advances	(37,231)	(37,734)
Cash generated from operations	(29,391)	49,511
Income tax (paid)/received (net)	(4,208)	(2,614)
Fringe Benefit Tax (paid)/received (net)	(2)	(38)
Net cash flow from operating activities	(A) (33,601)	46,859
Cash flow from Investing activities:		
Purchase of Fixed Assets during the year	(44)	(66)
Proceeds from sale of Fixed Assets	3	3
Purchase of investment during the Year	(40)	771
Interest on Investment	-	9
Net cash from investing activities	(B) (81)	717
Cash flow from financing activities		
Borrowings/(Repayments) of loans and credits	22,795	(21,226)
Dividend Paid	(1,100)	(1,100)
Dividend tax paid	(187)	(187)
Net cash from financial activities	(C) 21,508	(22,513)
Net increase/(decrease) in cash & cash equivalents	(A)+(B)+(C) (12,174)	25,063
Cash & cash equivalents at beginning of the period	44,557	19,494
Cash & cash equivalents at end of the period	32,383	44,557
Cash & cash equivalents as per schedule 8 of the balance sheet		
Cash, stamp & remittances in transit		
Bank balance	12,226	6,895
Short term deposits	20,157	37,662
	<u>32,383</u>	<u>44,557</u>
Notes:		
1. Figures in brackets indicate cash outgo.	-	
2. Balance with Banks includes Rs. 3.08 lakhs lying in National Commercial Bank, Albeida, which is not repatriable.		

For **SAMSAND & Associates**
Firm Registration No.003708N
Chartered Accountants

For and on behalf of the Board
PEC Limited

Anand Parkash
Partner
Membership No.: 82735

A. K. Mirchandani
Chairman Cum-Managing Director

Rajiv Chaturvedi
Director

Place: New Delhi
Date: 19.07.2010

R. K. Taneja
Chief General Manager (Finance)

Ashok Kumar
Company Secretary

SEGMENT REPORT FOR THE YEAR ENDED 31ST MARCH 2010

In accordance with Accounting Standard 17 issued by the Institute of Chartered Accountants of India
The company has three primary business segments i.e. Export, Import and Domestic which have
been further divided into seven sub-segments according to product category as it has direct impact on profit margins viz.

(Rs. in Lakh)

Segment	Segment-I Export-Engg Others	Segment-II Export-Agro Products	Segment-III Import-Bullion	Segment-IV Import-Agro Products	Segment-V Import-Others	Segment-VI Domestic	Consolidated TOTAL
REVENUE							
SALES	72,281	53,208	254,459	269,375	364,324	88,946	1,102,593
Other Income	2,733	273	72	52,234	7,232	3,932	66,476
Total Revenue	75,014	53,481	254,531	321,609	371,556	92,878	1,169,069
RESULTS							
Segment Result	3,336	(600)	80	2,832	5,281	3,617	14,546
Unallocated Corporate Expenses*							4,266
Operating Profit							10,280
Interest/Misc. Income							9
Net Profit							10,289
OTHER INFORMATION@							
Total Assets							552,216
Total Liabilities							529,013
Capital Expenditure**							44
Depreciation							57
Non Cash Expenses (Other than Depreciation)							1,211

*Unallocated Corporate Expenses excluding cost of sales which cannot be allocated segment wise.

,@Segment-wise Assets, Liabilities and Non-Cash Expenses (other than depreciation) are not disclosed as amounts are unascertainable.

**All Capital Expenditures pertain to administrative Assets.

Secondary Segments:

Since there is no defined geographically identification of segments, no disclosure has therefore, been made.

BALANCE SHEET

Abstract and Company's General Business Profile

(Rs. Thousand)

REGISTRATION DETAILS

Registration No. 0 0 0 5 6 0 0 Status Code 5 5
 Balance Sheet Date 3 1 0 3 2 0 1 0

Capital raised during the year

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

Position of Mobilisation and Deployment of Funds

Total Liabilities	5,52,21,587	Total Assets	5,52,21,587
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Sources of Funds

Paid-up Capital	2,00,000	Reserves and Surplus	21,20,294
Secured Loans	6,80,000	Unsecured Loans	16,00,000

Application of Funds

Net Fixed Assets	10,118	Investments	4,000
Net Current Assets	44,79,694	Deferred Tax (Net)	1,06,482
Accumulated Losses	NIL	Miscellaneous Expenditure	NIL

Performance of the Company

Turnover	11,02,59,390	Total Expenditure	10,92,30,485
Profit before Tax	10,28,905	Profit after Tax	6,77,169
Earning per Share (Rs.)	339	Dividend Rate (%)	7 0

Generic Names of Five Principal Products/Services of the Company (as per monetary terms)

Item Code No.	7 1 0 8	Product Description	G O L D
Item Code No.	0 7 1 3	Product Description	P U L S E S
Item Code No.	1 7 0 1	Product Description	S U G A R
Item Code No.	2 6 0 1	Product Description	I R O N O R E
Item Code No.	2 7 0 4	Product Description	C O K E C O A L

S A M S A N D & Associates
Chartered Accountants

4800/24, Bharat Ram Road,
Daryaganj, Delhi-110002
Ph: 011-23264383, 9312238484

AUDITORS' REPORT

To the Members of
PEC LIMITED, New Delhi

1. We have audited the attached Balance Sheet of PEC Limited, as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date both 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 about whether the financial statements are free from material mis-statement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgments made by the management, in preparation of the financial statements as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) by the Companies (Auditors' Report) (Amendment) order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report as follows:
 - i) Sales recognition on account of letters of credit assigned in favour of associates for sales of Rs. 52.63 Crore and corresponding purchase of Rs. 50.47 Crore are not in accordance with Accounting Standard AS-9, Revenue Recognition, issued by ICAI. Therefore "Purchases" and "Sales" shown in Profit and Loss Account have been overstated to that extent however it has no effect on the Profit of the Company for the year. (Refer Accounting Policy No. 4.2 read with Note No. 11).
 - ii) Non compliance of Accounting Standard AS-17 issued by ICAI on Segment Reporting, to the extent that segregation of segment assets, segment liabilities, segment expenses and non-cash expenses has not been disclosed in the Segment Report annexed to the Balance Sheet.
 - iii) Non compliance of Accounting Standard AS-27 issued by ICAI on Financial Reporting of Interests in Joint Venture regarding non disclosure of joint operation partner, nature of joint operation, profit sharing pattern, joint operation assets, liabilities, contingent liabilities, sales, purchases, expenses and capital commitment as required to be disclosed with respect to the Joint operations of the company. (Refer Note No. 14).
Further more, all the purchases, sales, expenses, the assets as well as the liabilities of the joint operations have been accounted for in the books of the Company resulting into overstatement of the respective heads under the Profit and Loss Account as well as the Balance Sheet of the Company, which is also not in accordance with Accounting Standard AS-9, issued by ICAI on Revenue Recognition. Therefore "Sales" shown in Profit and Loss Account have been overstated to that extent; the amount for which has not been disclosed by the company due to competitive nature of the operations however it has no effect on the Profit of the Company for the year. (Refer to Note No. 14).
 - iv) In the absence of information we are unable to express our opinion on reliability of Sundry Debtors of Rs. 53.61 Crores as all these amounts are unsecured and outstanding since long and are shown good of recovery. Hence, we are also unable to quantify its effect on profit of the Company.
 - v) Claims recoverable include Insurance Claim Recoverable of Rs. 3.89 Crores on account of loss due to fire on edible oil and Rs. 1.87 Crores on account of loss due to theft on pulses. We are unable to comment on the realization of the same due to non-furnishing of proper information to us. We are also unable to quantify its effect on profit of the Company.
 - vi) Note No. 2.2 regarding Claim recoverable of Rs. 273.72 Crore including commission and service tax due from Central Government on account of sale of edible oil under old schemes with varied amount of subsidies at different point of time. Since no separate accounts have been maintained scheme wise; we are unable to comment on the accuracy, admissibility and realization of the claim amount. We are also unable to quantify its effect on profit of the Company.
 - vii) Note No. 2.3 regarding Claim recoverable of Rs. 289.98 Crore including commission and

service tax due from Central Government on account of sale of pulses under continuous schemes with varied amount of subsidies at different point of time. Since no separate accounts have been maintained scheme wise; we are unable to comment on the accuracy, admissibility and realization of the claim amount. We are also unable to quantify its effect on profit of the Company.

- viii) Note No. 7.1 and 7.2 declaring that balances under the account head Sundry Creditors, Other Liabilities, Sundry Debtors and Advance to Parties, are pending for confirmation. Provisions for consequential adjustments or losses, if any, required upon such confirmation and reconciliation could not be ascertained.
- ix) As the company has not been able to obtain confirmations from its associates and suppliers, as mentioned at Note No. 15, the compliance of Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006' in the financial reporting of the Company cannot be ascertained and reported to.
- x) a) The Accounting Policy 8.3 of valuing the Closing stock of Commodities on Govt. Account at cost is not in accordance with Accounting Standard AS-2, Valuation of Inventories issued by ICAI which should be at Cost or Net Realizable Value whichever is lower however it has no effect on the profit of the Company for the year. (Refer to Note No.12.2 & 12.3)
- b) The method of determining the cost for the purposes of valuation of closing stock of pulses is not in accordance with Accounting Standard AS-2, Valuation of Inventories issued by ICAI resulting into incorrect cost been arrived at. In the absence of non-furnishing of detailed information to us; we are unable to quantify its effect on profit of the Company (Refer to Note No.12.1).
- xi) Sundry Creditors of Rs. 4527.00 Crores Includes the Buyer's Credit of Rs. 2106.07 Crores which results in overstatement of Sundry Creditors and understatement of unsecured Loans to that extent. However, there will be no effect on the total liabilities. (Refer Note No.9).

We further report that we are unable to quantify the effect of our comments in paragraph 4(iv), (v), (vi), (vii), (viii) & x(b) above, on Net Profit for the year as well as on Assets and Liabilities of the Company.

5. Further to our comments in the Annexure referred to in Para 3 above and subject to our report in Para 4 above, we report that;
- a. We have obtained all the information and explanations, except as mentioned in Para 4, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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 those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except Accounting Standard- 2 (Valuation of Inventories), Accounting Standard-9 (Revenue Recognition), Accounting Standard-17 (Segment Reporting) and Accounting Standard-27 (Financial Reporting of Interests in Joint Venture) as detailed in Para 4 above;
 - e. Being a Government Company, pursuant to the Gazette Notification No. GSR 829 (E) dated 21-10-2003 issued by Government of India; provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the Company.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to matters stated in Para 4 above and read together with the significant accounting policies and the other notes appearing in the Notes to Accounts give a true and fair view in conformity with the accounting principles generally accepted in India;
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010.
 - ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date.
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

BONUS SHARES

During the year, PEC has issued Bonus shares of Rs.180 million in the ratio of 9:1 by capitalization of reserves, increasing its issued and paid up capital from Rs.20 million to Rs.200 million. All the shares are held by the President of India.

To augment future capital needs, the authorized share capital of the Company has been increased to Rs.300 million.

DIVIDEND

PEC has paid interim dividend of Rs.40 million at 20 per cent on the increased paid up capital of Rs.200 million for the financial year 2008-09. Your Directors recommend final dividend of Rs.110 million at 55 per cent of paid up capital, taking the total dividend for the year to 75 per cent, subject to members' approval. The total payout on dividend during the year shall be Rs.150 million, as against Rs.90 million last year.

KEY STRATEGIES

We have sought to be adaptable and flexible, anticipating and responding to the changing needs of the economy, dynamic business environment and public policy. We believe in innovation to enhance the range of products and services.

Anand Parkash

Partner

Membership No.: 82735

Place: New Delhi

Date: 19.07.2010

Over the years, we have developed our business to serve diverse needs of the trade and economy.

Given the volatile operating environment, the focus was on capital conservation, liquidity management and risk containment.

EXPORTS

Export sales at Rs. 12617.83 million during the year reflect 40 per cent growth over the last year.

Engineering and manufactured goods exports include supply of aluminium alloy conductors to Ethiopia and Mauritius, line hardware to Bangladesh, Ethiopia Kenya, Nigeria and Trinidad & Tobago, vehicles to Nepal, medical supplies to Sri Lanka and cement plant machinery to Zambia.

Other major exports were iron ore fines to China, ferro chrome and cotton fabric to various nations.

Agro business continues to be key contributor to the growth of the Corporation. PEC exported rice, maize and soya meal during the year.

Imports

Import sales during the year almost doubled to Rs.85202.80 million from Rs.43470.78 million last year.

For **SAMSAND & Associates**

Firm Registration No.003708N

Chartered Accountants

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to Para (3) of our report of even date to the members of PEC Ltd., New Delhi on the accounts of the Company for the year ended 31st March, 2010.

- (i) (a) The Company has maintained proper records showing full particulars, situation and quantitative details of Fixed Assets. The Company is providing depreciation at special rates (Refer Accounting policies) based on the technical evaluation carried out in past and in our opinion; the technical evaluation needs to be reviewed on periodical basis. Also, the Fixed Assets Register in respect of calculation of depreciation under the Companies Act 1956 need to have the asset wise accumulated depreciation as well as the written down values calculated and incorporated therein instead of calculating separately.
- (b) As explained to us, all the assets have been physically verified by the management at the end of the financial year, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, no substantial part of the Fixed Assets have been disposed off by the Company during the year and therefore, the going concern assumption is not effected.
- (ii) (a) As per the explanations and information provided by the management, physical verification of inventories is undertaken by the Company through Surveyors from time to time and wherever any discrepancies is found on such physical verification, is incorporated in the books of account. In respect of stock, in the custody of third parties, certificate is obtained from the Clearing and Handling Agents or the Warehousing Corporation or the Surveyors. As explained to us, the verification in case of stocks like coal, Iron ore, pulses, edible oil etc. is not by actual weighment, but by actual receipt and dispatch, without accounting for handling losses.
- (b) In our opinion physical verification should also specifically cover the quantity, quality, the technical specifications, and manner, method adopted for physical verification and the discrepancies, if any, of the inventories so verified and the necessary records should be maintained in respect thereto.
- (c) In our opinion, the procedures of physical verification are not commensurate with the size of the Company and nature of its business, which requires to be strengthened more particularly with regard to handing of materials by third parties and maintenance of separate stock register for entire stocks.
- (d) The Company is maintaining transaction-wise stock details which are Compiled for control over the stock and necessary details are obtained from the custodians of stocks viz. Port Authorities, Warehouse, Surveyors, Business Associates. However, in our opinion a separate Stock Register should be maintained by the Company for entire stock.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (b) (c) and (d) of the Order are not applicable on the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory, Fixed Assets and the sale of goods and services but leaving scope for further strengthening. During the course of our test verifications, no continuing failures to correct major weaknesses in internal control system have been observed.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 of the Act. Accordingly, clause 4 (v) (b) of the Order is not applicable to the Company.
- (vi) In our opinion and as per the information and explanations given to us, the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable, as the Company has not accepted any deposits from the public except for the deposits taken from its associates in the form of margin money deposits against establishing the letters of credit.

- (vii) The Company has an internal audit system, which is carried out by its own internal staff. However, in our opinion, the Company needs separate internal audit department with qualified/specialized manpower to strengthen and enlargement of internal audit system. Further an audit manual and guidelines need to be developed and put in place. Further the scope and coverage of the audit needs to be enhanced looking to the size and business operations of the company.
- (viii) It has been explained that the Company is engaged in extraction of Soya meal and Soya oil on job work basis for which no cost records is prescribed under Section 209 (1) (d) of the Companies Act, 1956.
- (ix) (a) The Company has been regular in depositing undisputed statutory dues including income tax, sales tax, service tax and custom duty, etc. with the appropriate authorities.
- (b) According to the records of the Company, the dues outstanding of Income tax, Sales tax, Wealth tax, Service tax. Custom duty, cess which have not been deposited on account of any disputes are as follows
- (i) *Demand of Rs. 50,61,353/- has been raised by assessing officer for the assessment year 2007-08 under section 143 (3) of the Income Tax Act 1961, against which Company filed an appeal before Commissioner of Income tax (Appeal).*
- (ii) *Commercial Tax Officer, Chennai, has raised Sales Tax demand of Rs. 1,39,32,076/- and penalty of Rs. 2,08,98,114/- while finalizing assessment for the year 2000-2001 against which Company has filed a case with Honorable High Court at Chennai. The Honorable High Court has stayed the demand.*
- (x) The Company has its own contributory Provident Fund Trust and has regularly deposited provident fund dues with the trust.
- (xi) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xii) Based on our audit procedures and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder.
- (xiii) According to information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit funds/society. Therefore, the provisions of clause 4(xiii) are not applicable to the Company.
- (xv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvii) The Company has not raised any term loans during the year nor is any term loan outstanding as at the end of the year.
- (xviii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that funds raised on short-term basis have not been used for long-term investment.
- (xix) The Company did not make any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xx) The Company has not issued any debentures and hence no security or charge has been created in respect thereto.
- (xxi) The Company has not raised any money through the public issue during the year and hence, the end use of money has not been disclosed by the management.
- (xxii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, which have been relied upon by us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit except the frauds made by some of the associates, who got their cheques issued against their dues payable to the company dishonored against which the company has already filed criminal case under the Negotiable Instrument Act in different courts.

Place: New Delhi
Date: 19.07.2010

Anand Parkash
Partner
Membership No.: 82735

For **Samsund & Associates**
Firm Registration No.003708N
Chartered Accountants



गोपनीय

संख्या / No. CHR/13-4/09-10/A/c/PEC HD/201

भारतीय लेखा तथा लेखापरीक्षा विभाग,
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड-1

INDIAN AUDIT & ACCOUNTS DEPARTMENT,
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-1

दिनांक/Dated 13.08.2010

सेवा में,

अध्यक्ष एवं प्रबन्ध निदेशक,
पी0 ई0 सी0 लिमिटेड,
नई दिल्ली

विषय: कम्पनी अधिनियम 1956 की धारा 619 (4) के आधीन 31 मार्च 2010 को समाप्त वर्ष के लिए पी0 ई0 सी0 लिमिटेड के लेखाओं पर भारत के नियंत्रक महालेखा परीक्षक की टिप्पणियां।

महोदय,

कम्पनी अधिनियम 1956 की धारा 619 (4) के आधीन 31 मार्च 2010 को समाप्त हुए वर्ष के लिए पी0 ई0 सी0 लिमिटेड के लेखाओं पर भारत के नियंत्रक महालेखा परीक्षक की शून्य टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए और कम्पनी की महासभा में उसी समय व उसी प्रकार रखा जाए जिस प्रकार सांविधिक लेखा परीक्षकों की लेखा परीक्षा रिपोर्ट रखी जाती है।

संलग्न: शून्य टिप्पणियां

भवदीय,

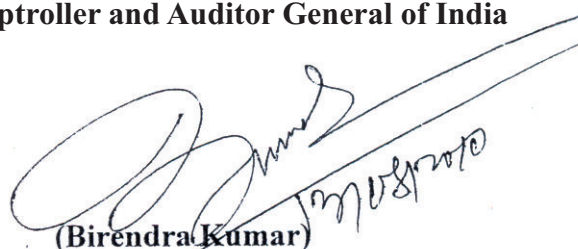
(बीरेन्द्र कुमार) 13/08/2010
प्रधान निदेशक

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF PEC LIMITED FOR THE YEAR ENDED 31 MARCH 2010**

The preparation of financial statements of **PEC LIMITED** for the year ended 31" March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19 July 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of **PEC LIMITED** for the year ended 31 March 2010. This supplementary-audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**



(Birendra Kumar)

**Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I,
New Delhi.**

Place: New Delhi

Dated: 13 August 2010

BRANCH OFFICES IN INDIA

AHMEDABAD

103, Kaling Bldg.
B/h Bata Super Store
Near Mount Carmel School
Ashram Road, Navrangpura
AHMEDABAD-380009
Tel: 079 - 26582972
079 - 32910733
Fax: 079 - 26580772
e mail: pecahmedabad@vsnl.net

BANGALORE

F-4, Crystal View Apartments
No.62, St. John's Road
BANGALORE-560 042
Tel: 080 - 25596951
Fax: 080 - 25596964

CHENNAI

76, Greams Road
Thousand Lights
CHENNAI-600 006
Tel: 044 - 28291633
044 - 28290590
Fax: 044 - 28290951
e mail: pecchennai2001@yahoo.com

GANDHIDHAM

D-7, NU-10-B, Shakti Nagar
Gandhidham, Kutch
GANDHIDHAM-370 201
Tel.: 02836 - 226353
Fax: 02836 - 236326
e mail: peckandla@peclimited.com

HYDERABAD

Flat No.301, Lovely Mansion
6-3-1090/C/A/1, Somajiguda
Raj Bhavan Road
HYDERABAD-500082
Tel: 040 - 66666155
Telefax: 040 - 66668332
e mail: pechyd@sify.com

INDORE

17-B, Shalimar Township
A.B. Road,
INDORE -452001 (M.P)
Fax 0731 - 2574616
Tel: 0731 - 2574617
E MAIL: pecindore@yahoo.co.in

JAIPUR

305, Vishnu Apartments
Sardar Patel Marg
Chomu House Circle
C- Scheme
JAIPUR-302 001
Telefax: 0141 - 4021887
E mail: pecjaipur@dataone.com

KAKINADA

Flat No.SF-3
RGR Residency
Opp.Town Railway Station
Veterinary Hospital Road
Ramaraopet
KAKINADA-533004
Tel.: 0884 - 2359090
Fax: 0884 - 2353390
E mail: peckakinada@peclimited.com

KOLKATA

"Chowringhee Court"
4th floor, Unit-22
55, Chowringhee Road
KOLKATA-700071
Tel: 033 - 2282 4385
033 - 2282 4842
033 - 2282 4862
033 - 2282 4876
Fax: 033 - 2282 4839
e mail: peccal@rediffmail.com

KOTA

103, Om Tower,
SP-12/A, Indra Vihar
KOTA - 324005 (RAJASTHAN)
Tel: 0744 - 2426390
Fax : 0744 - 2407849
E mail: pecltd_kota@bsnl.in

LUCKNOW

402, Saphire Court
4th floor, 3-A, Jopling Road
Lucknow-226 001
Tel: 0522 - 2614511
Fax: 0522 - 2614512

MUMBAI

204, Arcadia Building, 2nd Floor
195, NCPA Marg, Nariman Point
MUMBAI-400 021
Tel: 022 - 22830902
022 - 22029390
022 - 32907450
Fax: 022 - 22840241
E mail: pecimumbai@gmail.com

TUTICORIN

45/1-A, 2nd Street(West)
Briyant Nagar
TUTICORIN-628008 (TAMIL NADU)
Telefax: 0461 - 2391355

VISHAKHAPATNAM

Jagannath Nilayam
Door No.10-27-17-A
Waltair Uplands
VISHAKHAPATNAM-530 003 (Andhra Pradesh)
Tel: 0891 - 2710311
Fax: 0891 - 6642008
e mail: pecltdvsp@sify.com



PEC LIMITED



MOU for 2010-11 signed between Deptt. of Commerce of Ministry of Commerce & Industry and PEC Ltd.

www.peclimited.com



PEC LIMITED

'Hansalaya' 15, Barakhamba Road, New Delhi - 110001

Fax: +91-11-23315279, 23314797, 23313664

Email: pec@peclimited.com