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SHREE PRECOATED STEELS LIMITED

19TH ANNUAL REPORT 2005-2006

AN

AJMERA

GROUP ENTERPRISE

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HIGHLIGHTS

- Highest Turnover in the History of the Company achieving the Milestone of **Rs. 1,000 Crore**
- Export (FOB) increased by **41%**
- Sales increased by more than **27%**
- Cash Profit **Rs. 43.23 Crores**
- **ISO 14001:1996** Certificate from DNV for EMS
- **ISO 14001:2000** Re-certification from DNV for EMS
- **ISO 9001:2000** Certificate from DNV for EMS
- Status of **"Three Star Export House"** from Govt. of India
- Member of **ECCA**

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BOARD OF DIRECTORS

Shri Chhotalal S Ajmera	Chairman & Managing Director
Shri Rajnikant S Ajmera	Managing Director
Shri Ishwarlal S Ajmera	Whole-time Director
Shri M. Sivaramakrishnan	Director Technical (Upto 31.12.2005)
Shri Jagdish J. Doshi	Independent Director
Shri Ambalal C. Patel	Independent Director
Shri Inderpal S. Kalra	Nominee Director - IDBI

COMPANY SECRETARY

Shri Suraj Vishwakarma

BANKERS

Bank of Baroda
Allahabad Bank
Dena Bank
The Federal Bank Ltd.
State Bank of India
State Bank of Patiala
State Bank of Indore
Abu Dhabi Commercial Bank Ltd.
IDBI Ltd.

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AUDITORS

M/s. V. Parekh & Associates

SOLICITORS

M/s. Pandya & Poonawala
M/s. Desai & Diwanji
M/s. K. Ashar & Company

REGISTERED OFFICE

"Citi Mall",
Link Road, Andheri (West),
Mumbai - 400 053, India
Website: www.spsl.com

PLANT

Gat No. 740,
Sanaswadi, Pune Nagar Road,
Tehsil Sirur, Pune - 412 208.

19TH ANNUAL GENERAL MEETING

Date	:	**10th August 2006**
Day	:	**Thursday**
Time	:	**3.00 P.M**
Place	:	**"Shree Vagad Visha Oswal Vikas Samaj- Mumbai" Mahajanwadi, Plot No. A-6 S. N. (P. T.), 41, Adarsh Nagar, Jogeshwari Osiwara Link Road, Jogeshwari (W), Mumbai - 400 102.**
Book Closure	:	**Friday 4th August 2006 to Thursday 10th August 2006 (both days inclusive)**

REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt Limited,
Branch Office:Unit 1, Luthra Industrial Premises
Andheri Kurla Road, Safed Pool, Sakinaka,
Andheri (E), Mumbai - 400 072.

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Shareholders of Shree Precoated Steels Limited will be held on Thursday, the 10th August, 2006 at 3:00 p. m. at "Shree Vagad Visha Oswal Vikas Samaj- Mumbai" Mahajanwadi: Plot No. A-6 S. N. (P. T.), 41, Adarsh Nagar, Jogeshwari Osiwara Link Road, Jogeshwari (W), Mumbai - 400 102, to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the Report of Auditor's and Directors' thereon.

2. To appoint a Director in place of Shri Ishwarlal S. Ajmera, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**:

   "**RESOLVED THAT** approval be and is hereby given pursuant to the provisions of Section 149 (2A) of the Companies Act, 1956 for commencing, continuing and undertaking all or any of the businesses specified in sub-clauses 47, 54 and 57 of Part C of Clause III - Other Objects of the Memorandum of Association of the Company, at such times as may be deemed fit by the Board of Directors.

   RESOLVED FURTHER THAT Board of Directors of the Company and / or its duly constituted Committee be and are hereby severally authorized to do all such acts, deeds, matter and things as necessary and incidental to give effect to the aforesaid resolution."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Ordinary Resolution**

   "**RESOLVED THAT** pursuant to the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, department or bodies as may be necessary, the Authorized Share Capital of the Company of Rs. 100,00,00,000/- (Rupees One Hundreds Crores Only) divided into 8,50,00,000 (Eight Crores Fifty Lacs only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 1,50,00,000 (One Crore Fifty Lacs only) Cumulative Redeemable Preference Share of Rs. 10/- (Rupees Ten Only) each be and is hereby increased to Rs. 150,00,00,000/- (Rs. One Hundred Fifty Crores only) divided into 13,50,00,000 (Thirteen Crores Fifty Lacs only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 1,50,00,000 (One Crore Fifty Lacs only) Cumulative Redeemable Preference Share of Rs. 10/- (Rupees Ten Only) each.

   RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following New Clause V:

   V. The Authorized Share Capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores only) divided into Rs.135,00,00,000/- (Rupees One Hundred Thirty Five Crores only) consisting of 13,50,00,000 (Thirteen Crores Fifty Lacs only) Equity Shares of Rs. 10/- (Rupees Ten only) each and Rs. 15,00,00,000/- (Rupees Fifteen Crores only) consisting of 1,50,00,000 (One Crore Fifty Lacs only) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each with rights, privileges and conditions attached thereto as provided by the Articles of Association of the Company for the time being with power to increase or reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes, and attach thereto respectively and preferential, qualified or special rights. Such rights shall not except where the terms of issue otherwise provide be alterable otherwise than pursuant to the provisions contained in the Articles of Association of the Company.

   RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Director of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**

   "**RESOLVED THAT** pursuant to Section 31 of the Companies Act, 1956, (including any Statutory modification or re-enactment thereof for the time being in force), the Article 4 of the Articles of Association of the Company be altered to be read as under:

   4. The Authorised Share Capital of the Company shall be such as given in Clause V of the Memorandum of Association and the same may be with power to increase the Capital, to divide the

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shares in the Capital for time being into several classes and to attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions as may be determined in accordance with these presents and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the Companies Act, 1956 (hereinafter referred to as " the said Act") or provided by these presents.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Director of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard."

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

"**RESOLVED THAT** in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and relevant provisions of the Memorandum and Articles of Association of the Company, the Foreign Exchange Management Act, 1999 and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, Guidelines prescribed by the Securities and Exchange Board of India (SEBI) and subject to such approval(s), consent(s), permission(s) and/or sanction of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such terms, conditions, modifications and alterations as may be prescribed and specified by any of them in granting such approval, consent, permission or sanction, the consent, authority and approval of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to offer, issue and allot, in the course of offerings, in one or more foreign markets, any Securities including Equity Shares, Global Depository Receipts and/or American Depository Receipts, Foreign Currency Convertible Bonds, Convertible Bonds, Euro-convertible Bonds/Shares/Debentures, Preference Shares whether Cumulative/ Redeemable/ Partly convertible/ convertible at the option of the company and / or at the option of the holders of the Security(s), Securities partly or fully convertible into Equity shares and/or securities linked to Equity Shares and/or any instruments or securities with or without detachable warrants, secured or unsecured or such other types of securities representing either Equity Shares or Convertibles Securities (hereinafter referred to as "Securities") to Foreign/Domestic Investors, Non-residents, Foreign Institutional Investors/ Foreign Companies/ NRI(s) / Foreign National(s)/Banks/Mutual Funds/Financial Institutions or such other entities or persons as may be decided by the Board, whether or not such persons/entities/investors are Members of the Company, through Prospectus, Offering Letter, Circular to the general public and/or through any other mode or on private placement basis as the case may be from time to time in one or more tranches as may be deemed appropriate by the Board on such terms and conditions as the Board may in its absolute discretion deem fit for an amount not exceeding US$ 250 Million (US Dollar Two hundred and fifty million only) or equivalent thereof, including green shoe option on such terms and conditions including pricing as the Board may in its sole discretion decide including the form and the persons to whom such securities may be issued and all other terms and conditions and matters connected therewith.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms including as to conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payments whatsoever, and all such others as are provided in Securities offerings of this nature including terms for issue of such Securities or variation of the conversion price of the Security during the duration of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and other intermediaries in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more stock exchanges including international Stock Exchanges, wherever permissible.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorized by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the domestic and / or international practice and regulations, and under the forms and practices prevalent in securities markets.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, the Board be and is hereby authorised to determine the form, terms and timing of the offering(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in such tranche, issue price, face value, premium amount on issue/conversion of Securities, Exercise of Warrants/redemption of Securities, rate of interest, redemption period, listings on one or more stock exchanges as the Board in its absolute discretion deems fit and to make and accept any modification in the proposal as may be required by the authorities involved in such issues and on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation, the Appointment of Registrar, Book-Runner, Lead-Managers, Trustees/Agents, Bankers, Global co-ordinators, Custodians, Depositories, Consultants, Solicitors, Accountants, entering into arrangements for underwriting, marketing, listing, trading, depository and such other arrangements and agreements, as may be necessary and to issue any offer document(s) and sign all deeds, documents and to pay and remunerate all agencies/intermediaries by way of commission, brokerage, fees, charges, out of pocket expenses and the like as may be involved or connected in such offerings of securities, and also to seek listing of the securities or securities representing the same in any Indian and/or in one or more international stock

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exchanges with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of securities and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board and / or an agency or body authorized by the Board may issue Depository Receipt(s) or Certificate(s) or Shares, representing the underlying securities issued by the Company in registered or bearer form with such features and attributes as are prevalent in Indian and/or International capital markets for the instruments of this nature and to provide for the tradability or free transferability thereof, as per the Indian / international practices and regulations and under the norms and practices prevalent in the Indian/International markets.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of the Securities in the international market and may be governed by applicable laws.

RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorized to issue and allot such number of shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph(s) above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.

RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in the best interest of the Company and as is permissible at law.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described in paragraph(s) above, the Board or any Committee thereof be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and depository arrangement and institution / trustees / agents and similar agreements / and to remunerate the Managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds including but without limitation to the creation of such mortgage / charges under Section 293 (1) (a) of the said Act in respect of the aforesaid Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman and Managing Director or any Whole-time Director or any other Officers / Authorized Representatives of the Company to give effect to the aforesaid resolution."

By Order of the Board of Directors
For **SHREE PRECOATED STEELS LTD.**

Mumbai,
29th June 2006

Registered Office:
"Citi Mall", Link Road,
Andheri (W), Mumbai 400 053

SURAJ VISHWAKARMA
Company Secretary

NOTE:

I. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF OR HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

II. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.

III. The relative Explanatory Statements pursuant to section 173 of the Companies Act, 1956 in respect of the business under items nos. 4 to 7 set out above and details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking re-appointment at the Annual General Meeting, are annexed hereto.

IV. **The Register of Members and Share Transfer Books of the Company will remain closed for Seven days from the Friday, 4th August 2006 to the Thursday, 10th August 2006 (both days inclusive).**

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V. All documents referred to in the accompanying Notice and the Explanatory Statement is open for inspection at the Registered Office of the Company during the office hours on all working days except Sundays between 11:00 am and 1:00 p m, up to the date of the ensuing Annual General Meeting.

VI. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.

VII. Members are requested:

a to notify any change in their addresses to their Depository Participants (DPs) in respect of their electronic share accounts quoting Client ID no. and to the Sharex Dynamics (India) Private Limited Registrar and Transfer Agent (RTA) or to the Company in respect of their physical shares quoting their folio numbers.

b to write to RTA to enable them to consolidate their holdings in one folio, who are not opting for depository and are holding Shares in identical order of names in more than one folio,.

c to write to the Company at an early date so as to enable the Management to keep information ready, who are desiring any information as regard to accounts,.

d to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting, who hold Shares in dematerialized form,.

e to bring their copies of the Annual Reports to the Meeting.

VIII In terms of Section 109A of the Companies Act, 1956, the Share holder(s) of the Company may nominate a person on whom the Shares held by him/them shall vest in the event of his/their death. Shareholder(s) desirous of availing this facility may submit nomination in Form 2B.

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:
As required under the Listing agreement, the particulars of the Director who is proposed to be re-appointed and whose remuneration is proposed to be revised is given below:-

Name	**Shri Ishwarlal S. Ajmera**
Date of Birth	30th October 1925
Date of re-appointment	Ensuing 19th Annual General Meeting
Expertise in specific functional area	Industrialist having 52 years of over all experience in various fields including Constructions & with more than 18 years experience in Steel Industry.
Qualifications	Higher Secondary Education
Listed / Unlisted Public Companies in which outside Directorship held as on 31st March 2006	Ajmera Steels Strips Limited Shree Ram Estates Limited
Chairman / Member of the Committees of the Board of the other Companies on which he is a Director as on 31st March 2006	Nil

EXPLANATORY STATEMENT

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to the business under Item Nos. 4 to 7 of the accompanying Notice dated 29th June 2006.

Item No. 4:

In terms of the provisions of Section 149 (2A) of the Companies Act, 1956, approval of the shareholders is necessary to commence and undertake any business set out under Other Objects of the Memorandum of Association.

Keeping in view the emerging growth prospects in various new areas and to facilitate taking up activities covered under sub- clauses 47, 54 and 57 of Part C of Clause III- Other objects of the Memorandum of Association at an opportune time, approval of the shareholders is being sought to enable the Directors, at such time or times as they may consider appropriate and in the interest of the Company to commence and undertake all or any of the said businesses.

The Board of Directors accordingly recommended the resolution at item No. 4 as special resolution for approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 5 & 6:

The existing Authorized Share Capital of the Company is Rs. 100,00,00,000/- (Rupees One Hundred Crores only) divided into Rs. 85,00,00,000/- (Rupees Eighty Five Crores only) consisting of 8,50,00,000 (Eight Crores Fifty Lacs only)

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Equity Shares of Rs. 10/- (Rupees Ten only) each and Rs. 15,00,00,000/- (Rupees Fifteen Crores only) consisting of 1,50,00,000 (One Crores Fifty Lacs only) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each.

In order to mobilize funds for general corporate finances including modernization of existing plants, reduction / replacement of high cost borrowings, capital expenditure requirements, reorganization and / or arrangements, it might become necessary to raise finances in the manner allotting the Equity Shares.

With the growing expansion of the Company's business it was desirable to bring the Authorized Capital of the Company in proper co-relation with the magnitude of the Company's resources and size of its undertaking. It is, therefore, considered advisable to increase the Authorised Capital of the Company from Rs. 100,00,00,000/- to Rs. 150,00,00,000/- by creation of Rs. 50,00,00,000/- consisting of 5,00,00,000 Equity Share Capital of Rs. 10/- each, which will rank pari passu in all respects with the existing Equity Share Capital of the Company. As and when the aforesaid Shares are proposed to be issued and allotted, the Company would take necessary action as per the provisions of the Act.

The proposed increase of the Authorized Capital of the Company require the approval of the Members in General Meeting.

Consequent upon the increase in Authorized Capital of the Company, its Memorandum and Articles of Association would require alteration so as to reflect the increase in Share Capital.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

A Copy of the Memorandum and Articles of Association of the Company showing the changes proposed is available for inspection during business hours on any working day at the registered office of the Company.

Item No. 7:

The Company needs to augment long term resources to strengthen its financial position by meeting its growth objectives, towards becoming the country's leading manufacturer of high quality Color Coated Steels Coils, Galvanized Prepainted Sheets and Coils & Cold Rolled Sheets and Coils. It is accordingly proposed to issue securities in the international markets as contemplated in the resolution set out at item No. 7 of the accompanying Notice, as may be decided by the Board and found to be expedient and in the interest of the Company.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and other experts in accordance with the applicable provisions of law.

The proposed issue of securities as above may be made in one or more tranches, in the international market in one or more currency, up to an aggregate principal amount of US Dollar 250 Million or equivalent thereof. The issue price of the security to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions. The securities will be listed on such international/Indian Stock Exchanges as the Board may be advised.

Section 81 (1 A) of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares as of that date unless the shareholders decide otherwise. The Listing Agreements executed by the Company with the Bombay Stock Exchange (BSE) also provide that the Company shall issue or offer in the first instance all securities to the existing equity shareholders, unless the shareholders decide otherwise. The Special Resolution seeks the consent of the Shareholders authorizing the Board of Directors to make the proposed issue of securities and in the event it is decided to issue Securities convertible into Equity Shares, to issue to the holders of such convertible Securities in such manner and such number of Equity Shares on conversion as may be required to be issued in accordance with the terms of the issue.

This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority or authorities as need to be consulted including in relation to the pricing of the Issue which will be a free market pricing and may be at premium or discount to the market price in accordance with the normal practice and (b) powers to issue and market any securities issued pursuant to the international offer including the power to issue such Securities in such tranche or tranches with / without voting rights.

The Board of Directors recommends the resolution set out at item No. 7 of the accompanying Notice for the approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors
For **SHREE PRECOATED STEELS LTD.**

Mumbai,
29th June 2006

Registered Office:
"Citi Mall", Link Road,
Andheri (W), Mumbai 400 053

SURAJ VISHWAKARMA
Company Secretary

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