

BANCO PRODUCTS (INDIA) LIM



**45TH ANNUAL
2005-2006**

BANCO PRODUCTS (INDIA) LIMITED**45th ANNUAL REPORT 2005-2006****Board of Directors**

V. K. Patel - Chairman
 A. G. Shroff
 S. K. Patel
 M. K. Patel
 Ram Devidayal
 Sudhir Munjal

Executive Director

R. R. Biswas (Upto 28.2.2006)

Company Secretary

Tarang Mehta (Upto 28.2.2006)

Bankers

Bank of Baroda
 State Bank of India
 HDFC Bank Ltd.
 Centurian Bank of Punjab Ltd.

INDEX**Auditors**

Shah & Company,
 Chartered Accountants,
 Mumbai.

Registered Office

Bil,
 Near Bhaili Rly. Station,
 Padra Road,
 Dist. Baroda-391 410

Works

Bil,
 Near Bhaili Railway Station,
 Padra Road,
 Dist. Baroda-391 410

&

Ankhi,
 Tal. Jambusar,
 Dist. Bharuch.

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BANCO PRODUCTS (INDIA) LIMITED**NOTICE**

Notice is hereby given that the 45th Annual General Meeting of Banco Products (India) Ltd. will be held on Saturday, the 5th August, 2006 at 10:30 a.m. at the Registered Office of the Company at Bil, Near Bhaili Railway Station, Padra Road, Dist Baroda. 391 410, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006 and Balance Sheet as of that date together with the reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri V.K. Patel who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Sudhir Munjal who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED THAT in supersession of all the resolutions passed earlier, consent of the Company be and is hereby granted, pursuant to Section 293(1)(d) and other applicable provisions of the Companies Act, 1956 or any Repeal or Reenactments thereof, to the Board of Directors to borrow, from time to time, any sum or sums of monies which together with the monies already borrowed by the Company, apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business, which may exceed the aggregate of the Paid Up Capital and Free Reserves, that is to say, reserves not set apart for any specific purpose of the Company, from time to time, provided that such excess shall not exceed Rs. 100 Crores at any time."

By Order of the Board,

Date : 29th June, 2006

V K Patel

Place : Bil

Chairman

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES SHOULD BE LODGED WITH THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business enumerated at Item No. 6, is annexed hereto.
3. **The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 29th July, 2006 to Saturday, the 5th August, 2006, both the days inclusive** for determining the names of Members eligible for dividend on Equity Shares, if declared at the meeting.

The dividend on Equity Shares, if declared at the Meeting, will be paid on or after **8th August, 2006** to those Members whose names shall appear on the Company's Register of Members on **28th July, 2006**. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by NSDL and CDSL, the Depositories, as at the end of business hours on **28th July, 2006**.

4. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in **Physical Form** are requested to intimate to either the Company or the Company's Registrar and Transfer Agent, M/s. Intime Spectrum Registry Limited, under the signature of the Sole/First joint holder, the following information, to be incorporated on dividend warrants.
 - (i) Name of the Sole/First Joint holder and the Folio Number.
 - (ii) Particulars of Bank Account, viz:
 - (a) Name of Bank
 - (b) Name of Branch
 - (c) Complete address of the Bank with Pin Code Number
 - (d) Account type, whether Saving Account (SA) or Current Account (CA)
 - (e) Bank Account Number.
- (b) Members who hold shares in **Demat form** may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such

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Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details, are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.

5. The identities/signatures of Members holding shares in electronic form are liable for verification with the specimen signatures as may be furnished by NSDL and CDSL to the Company. Such Members are advised to bring the identity cards issued by their Depository Participants.
6. Pursuant to the provisions of Section 205(A) of the Companies Act, 1956, as amended with effect from 31st October, 1998, dividends for financial year ended 31st March, 1998 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of same under sub-section (1) of the said Section, will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205C of the said Act. According to the provisions of the said Act, as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.
7. Shareholders are requested to bring their copy of the Annual Report at the meeting and send all communications relating to their shareholding, quoting Folio No./ Client ID & DP ID, at Registered Office or the Company's Registrar and Transfer Agent, M/s. Intime Spectrum Registry Limited.
8. MEMBERS DESIROUS OF OBTAINING ANY INFORMATION WITH RESPECT OF THE ACCOUNTS OF THE COMPANY ARE REQUESTED TO SEND THEIR QUERIES IN WRITING TO THE COMPANY AT ITS REGISTERED OFFICE SO AS TO REACH AT LEAST SEVEN DAYS BEFORE THE DATE OF THE MEETING.

By Order of the Board,

Date : 29.6.2006
Place : Bil

V K Patel
Chairman

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6 :

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors can not, except with the consent of the Company in General Meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of the business, in excess of the aggregate of the Paid Up Capital and Free Reserves of the Company.

At the Annual General Meeting held on 13th August, 2005, Shareholders had authorized Board of Directors to borrow money, not exceeding Rs. 50 Crores. Your Directors, considering the long term future requirements of borrowed funds, are of the view that the aforesaid limit be enhanced. In the circumstances, the consent of the Shareholders, under Section 293(1)(d) of the Companies Act, 1956 is required to enable the Board of Directors to borrow upto sum Rs. 100 Crores, over and above aggregate of Paid up Capital and Free Reserves of the Company.

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

The Board recommends the resolution for adoption.

By Order of the Board,

Date : 29.6.2006
Place : Bil

V K Patel
Chairman

Annexure to the Notice of Annual General Meeting.

Information pursuant to Clause 49 of the Listing Agreement regarding reappointment of Directors.

Name of the Director	V.K.Patel	Sudhir Munjal
Date of Birth	21.03.1953	26.10.1946
Date of Appointment	15.04.1986	24.11.2004
Specialised Expertise	General Management	General Management
Qualifications	M.Sc (Economics) from London School of Economics	B.A.
Directorships of other Companies as on 31st March, 2006	Banco Aluminium Ltd Ganga Investments Pvt Ltd. K K Patel Foundation Banco Foundation	Munjal Auto Industries Ltd. Puja Investments Pvt.Ltd. Dayanand Munjal Investments Pvt Ltd.
Chairman/Member of other Committees of Companies as on 31st March, 2006	Member of Audit Committee of Banco Products (India) Limited	Chairman of Remuneration Committee and Member of Audit Committee & Shareholders' Grievance Committee of Banco Products (India) Limited
Number of Shares held in the Company	4,59,000	Nil

BANCO PRODUCTS (INDIA) LIMITED**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting the 45th Annual Report together with the audited statements of accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

	(Rs. in Lacs)	(Rs. in Lacs)
	Year ended 31.3.2006	Year ended 31.3.2005
TOTAL TURNOVER AND OTHER INCOME	17519.87	13983.85
PROFIT BEFORE TAXATION	1846.18	1718.72
Less : Provision for taxation	498.00	560.00
Deferred Tax Liability	58.63	87.58
Provision for Fringe Benefit Tax	18.51	—
PROFIT AFTER TAX	1271.04	1071.14
Add: Balance brought forward from previous year	787.25	909.51
Prior years adjustments	—	—
Goodwill Written Off	—	(3.55)
PROFIT AVAILABLE FOR APPROPRIATION	2058.29	1977.10
APPROPRIATIONS:		
Short Provision of Tax of Previous years	—	10.36
Transfer to General Reserve	600.00	600.00
Proposed Dividend	507.07	507.07
Provision For Tax on Proposed Dividend	71.12	71.12
Short Provision of Dividend Tax 2003-2004	—	1.30
Balance Carried to Balance Sheet.	880.11	787.25
	2058.30	1977.10

2. DIVIDEND :

The Directors are pleased to recommend payment of dividend @ 75% (Rs. 7.50 per Share) for the year 2005-2006. The Dividend, if approved by the Shareholders at the ensuing Annual General Meeting, will absorb Rs. 578.19 Lacs, including tax and surcharge levied on dividend amount.

BANCO PRODUCTS (INDIA) LIMITED**3. OPERATIONS :**

During the financial year ended at 31.03.2006, Sales and Other Income rose to Rs. 175.2 Crores as against Rs. 139.9 Crores of the previous year, registering an increase of 20%. Gross Profit before Tax reached to Rs. 18.4 Crores as against Rs. 17.1 Crores of the previous year whereas Net Profit reached to Rs. 12.7 Crores as against Rs.10.7 Crores of the previous year. Export sales of Company has shown remarkable growth during the year at Rs. 65 Crores against Rs. 40 Crores of Previous Year.

The Company has successfully commissioned the 100% Export Oriented Unit (EOU) during the year under review and has secured substantial number of OEM orders, till the date, the favorable contribution thereof, could be seen in coming years.

4. DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of Section 217(2AA) of the Companies Act,1956, the directors would like to state that:-

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors have prepared the annual accounts on a going concern basis.

5. DIRECTORATE :

Shri V.K.Patel and Shri Sudhir Munjal, the Directors, retire by rotation and being eligible, offer themselves for reappointment.

Shri Ravindra R Biswas resigned as an Executive Director and Director from 28.02.2006. The Board places on record its appreciation for the contribution given by him during his tenure as Executive Director of the Company.

6. AUDIT COMMITTEE :

Audit Committee as constituted in terms of Section 292A of the Companies Act, 1956, with three independent Directors viz Shri Ram Devidayal, Shri Atul G Shroff, Shri Sudhir Munjal and non executive promoter Chairman Shri V.K.Patel, as Members, performed inter alia the work assigned to it as laid down thereunder, during the year under review.

7. CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report, as Annexure "A".

8. PARTICULARS OF EMPLOYEES:

Particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules,1975, are not furnished as no employee is covered therein.

9. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES,1988.:

The particulars in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure - B.

BANCO PRODUCTS (INDIA) LIMITED**10. AUDITORS:**

M/s. Shah & Co., Chartered Accountants, Mumbai, Auditors of the Company retire at the conclusion of ensuing Annual General Meeting. The retiring Auditors being eligible, have expressed their willingness for reappointment offer themselves for reappointment.

You are requested to appoint the Auditors and fix their remuneration.

11. PUBLIC DEPOSITS :

As on 31st March, 2006, no deposits were due for repayment and remained unclaimed and therefore no deposit has since been refunded.

12. INSURANCE:

All the properties and insurable interests of the Company including buildings, plant and machineries and stocks, have been adequately insured.

13. INDUSTRIAL RELATIONS:

Overall industrial relation continued to be cordial. The Directors place on record their appreciation for the continued support and co-operation of all the employees.

14. ACKNOWLEDGEMENT:

The Board places on record its deep appreciation for the co-operation and continued support received by the Company from Shareholders, Banks, Depositors and Employees during the year.

By Order of the Board,

Date : 29th June, 2006

Place : Bil

V K Patel
Chairman

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BANCO PRODUCTS (INDIA) LIMITED

ANNEXURE - A

MANAGEMENT DISCUSSION & ANALYSIS

Introduction:

Banco Products (India) Limited is in the business of manufacturing Gaskets and Radiators - both of which are considered important components in sealing and cooling applications in Automotive and industrial engines. Entry into these market by MNCs will create new competitive pressures in the Market. The Company is continuously upgrading competencies in product and process design, faster product development, quality system maintenance of manufacturing, delivery performance and response time. The Company is highly focused on the continuous improvement in order to render high degree of customer satisfaction.

Industry Structure and Developments:

Indian Auto Industry during the year 2005-2006 registered substantial growth in domestic and in export sales in numbers over that of last year and the growth appears to continue in the similar fashion for the year 2006-2007. Meanwhile substitution in use of Cu-brass radiator continues as the same is being replaced by Aluminium Radiators in majority of the OEM applications for all ranges of vehicles in Automobile Industry. Gasket production and sales have shown a nominal growth over that of last year. Growth in Radiator and Gasket business will substantially depend on the growth in Automobile production as well as Export business.

Our Operations:

The focus at our manufacturing facilities continued to be higher productivity, shorter lead time, faster development and validation of new products, lower unit costs, improving delivery performance, optimising response time, adherence to stricter quality system maintenance, closer analysis of the market and better product reliability. There is higher growth of sales in our export segment. In addition to aluminium radiators the Company has successfully productionised various aluminium heat exchanger products such as oil-coolers, charged air coolers etc.

Technology:

The Company's agreement with Japan Metal Gaskets Co., Japan on need base technical know how is in force. In addition to that the Company is getting design support from Elring Klinger, Germany for non-retorque Cylinder Head Gasket manufacturing on case to case basis.

Internal Control and its Adequacy.

The Company has successfully obtained renewal of TS-16949 certification and now started working on Lean 6-sigma implementation. Software for inter and intra department communication and follow up has been upgraded to latest version. For data security specifically in design section suitable software has been installed.

The system of internal control designed to provide reasonable maintenance of proper accounting records and the reliability of operational and financial information complying with statutes, safeguarding assets from unauthorized use or losses executing transaction with proper authorization ensuring compliance of corporate policies used with a view to running business. The Company has clearly defined organisation structure and lines of authority. Sufficient control is exercised through monthly, quarterly and annual business review by the management Review Committee and application of Corporate Governance. An internal audit system is in place. Normal foreseeable risks to the Company's assets are adequately covered by comprehensive insurance.

The Company has appointed M/s. K.C.Mehta & Co., the Chartered Accountants to carry out Internal Audit of the Company's activities.

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In line with well accepted practices and objectives, the planning and internal audit is oriented towards the review of operational controls in the management risk strengths and opportunities.

The Company has an Audit Committee, which reviews the Reports of Internal and External Auditors, make suggestions for improvement, follow upon the implementation of correctives actions and keeps informed the Board of its major observation from time to time.

Financials :

The detailed financial analysis of the Company's operations for the year is given in the Directors' Report and therefore the same is not repeated. However, some important ratios on the Company's profitability are given below.

	2005-2006	2004-2005
Net Profit to Sales (PBT) (%)	10.7	12.6
Earning Per Share (EPS)(Rs.)	18.8	15.8
Cash earning per Share (Rs.)	24.7	20.2
Return on Networth (PAT) (%)	17.1	15.9
Dividend Payout Ratio (Including Dividend Tax) (%)	45.5	54.0
Retained Earnings (Rs. in Lacs)	692.8	493.0
Retained Earnings (%)	54.5	46.0

Risk and Concerns:

The competition in the auto industry has forced auto manufacturers to cut costs in order to maintain profitability. The efforts to improve product mix and cut costs are necessary for profitability.

Future Strategy:

It is clear that the Company's future has to be built upon its exist-ing strengths and over four decades of proven skills in cooling and sealing business. Fast development of new products, very high quality customer-satisfaction-management have become the thrust area. The Company has been developing new markets both in India and abroad, substantially broad basing export sales, pene-trating existing markets and launching new products. In addition, there is an increased focus on achieving greater efficiency through cost reduction initiatives, improved quality standards and better supply chain management.

Cautionary Statement :

Certain statement made in this report, are forward looking statement and actual results may differ from such expectation, projections etc as several factors would make significant difference to the Company's operations such as Economic conditions affecting demand and supply, Government's regulations, level of competitions prevailing at the relevant time etc.

BANCO PRODUCTS (INDIA) LIMITED**REPORT ON CORPORATE GOVERNANCE**

In compliance with Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. Company's Philosophy on Code of Corporate Governance. :

Banco Products (India) Limited's philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation, across all facets of its operations. The Company's Corporate Governance philosophy has been further strengthened through its Code of Conduct, Code of Conduct for prevention of Insider Trading as also the Code of Corporate Disclosure practices leading to sharply focussed and operationally efficient growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

The Company is in compliance with the requirements of the revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement entered in to with the Bombay Stock Exchange Limited.

2. Board of Directors & Board Meetings :

The Board of Directors is consisting of Six directors with a Non-Executive Chairman and three independent Directors as on 31.3.2006. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited.

None of the Directors on the Board is holding the office of Director in more than 15 Companies nor are they members in Committees of the Board in more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the Companies in which he is a Director. Necessary disclosure regarding Committee position in other Public Companies as at 31st March, 2006 have been made by the Directors.

During the year 2005-2006, the Board met six times on 25-4-2005, 17-6-2005, 28-7-2005, 12-8-2005, 29-10-2005 and 31-1-2006. The longest gap between any two Board Meetings did not exceed four months.

A brief resume of the directors being re-appointed at the Annual General Meeting, the nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership of the committees of the Board is annexed to the Notice. Whereas the names and categories of the Directors, their attendance at Board Meetings, Annual General Meetings, No of directorships in other Companies and committee meetings etc. are given below.

Name of Director	Category of Director	No. of Board Meeting attended during 2005-06	Whether attended last A.G.M.	No. of Directorship in domestic public companies	No. of Committee membership	
					Chairman	Member
Mr. V.K.Patel	Non Executive Chairman & Promoter.	6	Yes	2	—	1
Mr. A.G.Shroff	Non Executive Independent.	3	Yes	10	3	7
Mr. S.K.Patel	Non Executive & Promoter.	4	No	2	—	1
Mr. M.K.Patel	Non Executive & Promoter.	5	Yes	2	—	1
Mr. R.Devidayal	Non Executive Independent Director	6	No	1	1	2
Mr. R.R.Biswas	Executive*** Independent	4	Yes	—	—	—
Mr. S. S. Munjal	Non Executive Independent	6	No	3	—	1

*** Resigned as an Executive Director effective from 28.2.2006