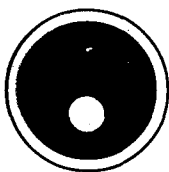


15th Annual Report 2005 - 2006

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Growth through Consolidation



**MAHALAXMI
SEAMLESS LIMITED
ISO 9001 : 2000**


MAHALAXMI
 SEAMLESS LIMITED

| | | |
|--------------------|----------------------------|------------------------------|
| Board of Directors | Shri Madhav Prasad Jalan | Chairman & Managing Director |
| | Shri Narendra Sakariya | Jt. Managing Director |
| | Shri Vivek Jalan | Executive Director |
| | Shri Narendra kumar Dalmia | Director |
| | Shri Manish Dalal | Director |
| | Shri Chetan Jain | Director |
| | Shri J. T. Hingorani | Director |

REGISTERED OFFICE & WORKS

Pipenagar (Sukeli)
 Via. Nagothane
 Tal. Roha, Dist. Raigad
 Maharashtra : 402 126

HEAD OFFICE

A-54, Virwani Industrial Estate,
 Western Express Highway,
 Goregaon (E), Mumbai - 400 063.

BANKERS

Oriental Bank of Commerce, Overseas Branch, Andheri (E).

AUDITORS

M/s. V. B. Goel & Co.
 Chartered Accountants

FIFTEENTH ANNUAL GENERAL MEETING

| | |
|-------|--|
| DATE | Friday, September 29, 2006 |
| TIME | 2.00 p.m. |
| VENUE | Pipenagar (Sukeli) Via, Nagothane Tal. Roha, Dist. Raigad, Maharashtra : 402 126. |



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NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of **MAHALAXMI SEAMLESS LIMITED** will be held at its Registered Office at Pipenagar (Sukeli), Via-Nagothane, Tal-Roha, Maharashtra- 402 126, on **Friday, September 29, 2006** at 2.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2006 and Profit & Loss Account for the year ended as on that date and the Reports of the Directors' and Auditor's thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Manish Dalal who retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Narendra Kumar Dalmia who retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

For and On behalf of the Board of Directors

Place: Mumbai
Date : 29/06/2006

MADHAV PRASAD JALAN
CHAIRMAN & MG. DIRECTOR

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Proxy form should be lodged with the Company at its Registered Office at least 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, September 25, 2006 to Thursday, September 28, 2006** (both days inclusive).
4. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
5. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Wednesday and Public Holidays between 11.00 A.M. and 1.00 P.M. up to the date of 15th Annual General Meeting.
6. Members are requested to bring their copies of the reports to Annual General Meeting.
7. Members holding shares in the same set of names under different folios are requested to apply for consolidation of such folios alongwith Share Certificates to the Company.
8. In order to exercise strict control over the transfer documents, Members are requested to send the transfer documents/ correspondence, if any, directly to:

ADROIT CORPORATE SERVICES PRIVATE LIMITED

Unit: MAHALAXMI SEAMLESS LIMITED

Add : 19, Jaferbhoy Industrial Estate, 1st Floor,
Makwana Road, Marol Naka, Andheri (E), Mumbai - 400059.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Fifteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended March 31, 2006.

FINANCIAL RESULTS:

(Rs. in lacs)

| PARTICULARS | As on March 31, 2006 | As on March 31, 2005 |
|--|-------------------------|-------------------------|
| Income from Sales (Net of Excise) | 2906.24 | 2837.28 |
| Other Income | 26.54 | 12.66 |
| Increase/ (Decrease) in Stock | (43.33) | (182.75) |
| Total Expenditures | 2396.73 | 2242.52 |
| Profit / (Loss) before Depreciation | 492.72 | 424.67 |
| Less: Depreciation | 100.04 | 86.33 |
| Interest | 20.87 | 25.97 |
| Add: Prior Period/ Extra Ordinary Adjustments | 00.99 | 02.50 |
| Net Profit / (Loss) before Taxation | 370.82 | 314.87 |
| Provision for Taxation | *127.38 | 109.92 |
| *[Current + Fringe Benefit+Deferred] | | |
| Profit After Taxation | 243.44 | 204.95 |
| Less: (Short) / Excess | (00.19) | (00.15) |
| Prov. Of Tax | | |
| Less: Proposed Dividend | 52.81 | - |
| Less: Dividend Distribution Tax | 07.41 | - |
| Less: Transfer to General Reserves | 10.00 | - |

DIVIDEND:

Your Board of Directors has pleasure in informing the Members about recommendation of 10% dividend on Distributable Profits for the year ended March 31, 2006.

DIRECTORS:

Pursuant to the Articles of Associations of the Company, Mr. Manish Dalal & Mr. Mr. Narendra Kumar Dalmiya Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT, pursuant to Sec. 217 (2AA) of the Companies Act, 1956 :

- that in the preparation of Annual Accounts the applicable Accounting Standards had been followed alongwith proper explanation relating to material departures;
- that the Directors had 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 affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- that the Directors had 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;
- that the Directors had prepared the annual accounts on a going concern basis.

OPERATIONAL PERFORMANCE:

Under able and efficient guidance of Shri Vivek Jalan and Shri Narendra Sakariya and also under experience of Shri M.P. Jalan, the Company's financials has improved as can be inferred from the Profit & Loss Account for the year under review.

The highlights of our performance for the year 2005-2006 are:

- * Recommendation of Dividend @10%;
- * Increase in Sales from Rs. 2837.28 lacs to Rs. 2906.24 lacs;
- * Increase in Profit After Tax from Rs. 204.95 to Rs. 243.44 lacs;



The above financials were mainly due to effective and aggressive steps taken by the Board of Directors of the Company in marketing the products of the Company.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreements, a separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

DISCLOSURE UNDER THE STOCK EXCHANGE LISTING AGREEMENT :

In accordance with the amended Listing Agreement with respective Stock Exchanges, it is hereby confirmed that the Company's Shares are listed at the Stock Exchanges at Mumbai, Ahmedabad and Madras.

FIXED DEPOSITS:

The company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Rule 2 of the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, relating to the conservation of Energy and Technology Absorption forms part of this report and is given by way of Annexure.

The details of Foreign Exchange earnings and outgo is given in Schedule 21 under the heading Notes to Accounts Point II Clause I sub clause vi & vii as at March 31, 2006.

AUDITORS:

M/s V.B. Goel & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES:

The Company has no employees of the specified categories under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

EXPLANATION U/S. 217(3) OF THE COMPANIES ACT, 1956:

1. Note No. 4(f) to Auditors' Report:

Presently the Company is in the process of identifying and reconciling the amount due to the SSI Units for the year ended March 31, 2006.

2. Note 8 to Annexure to Auditors' Report:

The Company has already taken effective steps to maintain cost records as prescribed under the Companies Act, 1956 for the year ended March 31, 2006.

ACKNOWLEDGEMENT:

The Board of Directors wishes to place on record its sincere appreciation for due co-operation received from the Company's Bankers. The Directors are also thankful to the employees at all levels for their continued support.

For and On behalf of the Board of Directors

sd/-

Place: Mumbai

Date : 29/06/2006

MADHAV PRASAD JALAN

CHAIRMAN & MG. DIRECTOR

**ANNEXURE TO DIRECTORS' REPORT:**

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BORD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED AT 31-03-2006.

A) CONSERVATION OF ENERGY:

Company uses electricity as major source of energy. Adequate steps for power factor improvement have been taken wherever feasible.

B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

Please refer the enclosure of Management discussion & Analysis Report.

FORM-A

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

| Particulars | Current Year (31/03/2006) | Previous year (31/03/2005) |
|---------------------------------------|------------------------------|-------------------------------|
| A. Power and Fuel Consumption: | | |
| 1 Electricity (M.S.E.B. Supply) | | |
| Unit consumed | 4796165 | 46,51,385 |
| Total Amount (Rs.) | 17631879 | 1,59,20,085 |
| Rate per Unit (Rs.) | 3.67 | 3.42 |
| 2. Fuel (L.D.O.) | | |
| Consumption (Liters) | 174000 | 156600 |
| Total Amount (Rs.) | 3907666 | 3184237 |
| Rate per unit (Rs.) | 22.46 | 20.33 |
| 3. Diesel | | |
| Consumption (Liters) | 14524 | 9960 |
| Total Amount (Rs.) | 541384 | 354698 |
| Rate per unit (Rs.) | 37.28 | 35.61 |
| 4. Consumption per ton | | |
| Electricity Units | 896.00 | 721.00 |
| L.D.O. (Liters) | 32.52 | 24.27 |
| Diesel (Liters) | 2.71 | 1.54 |

FORM-B**Research and Development****1) Specific areas in which R & D carried out by the company.**

- Your company is doing both Job work and own process for converting Cold Drawn Seamless Pipes & Tubes. Last year the volume of own sales was to the extent of 90% of the sales. This helped us to achieve better margin realisation directly impacting the bottom line.
- The company developed three Dimensional tubes i.e. O.D., I.D. & W.T.. This plays a crucial role for 12 mtr. and above long pipes. This was developed as an import substitute.
- Among the product mix, about 40% of our Sales was for Heat Exchanger Tubes, which are manufactured in max. length of 26.50 mtrs long, by which the yield of the product is increased by 5%. another 8-10% is for Hydraulic Tubing's from the generation of our rejected, excess, nonmoving stocks. This helped us to salvage the old stock resulting better realisation. Also we have increased the production of 'U' tubes to the extent of 12,000 nos. per month with the addition of some of the equipments, which ultimately gave us higher productivity.



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- d. The company has established new phosphate coating exclusively for Alloy Steel, which in turn reduces the number of draws to achieve the required O.D. & W.T.. This has resulted in increasing bottomline of the company.
- e. The company has concentrated on import substitutes cold drawn seamless pipes & tubes by making specific sizes at our end only. Like 12.70 O.D.X1.65 W.T. - Grade SA-213-T22, 31.80 O.D.X2.77 W.T.-Grade 334-6, 19.05 O.D.X1.65W.T., Grad SA179 having length of 20 mtr. to 25 mtrs. This has assured our presence in the market to our valuable customers, so also helped reducing import of above sizes.
- f. During the year, your company has installed and commissioned a new piercing Mill for the manufacture of Hollows. Till now, the company was purchasing hollows from outside parties and then further processing these by drawing, heat treatment etc to make the final product. The piercing Mill installed can manufacture hollows from solid bullets. Thus by using this mill for the manufacture of hollows, we will reduce our dependence on outside parties for the supply of hollows, and this will also reduce the manufacturing cost.
- g. The company has updated ISO 9001-2000 for better systems and quality of better output by M/s. Rina India Limited-Certification body.

As stated above, the company has time to time changes its product mix as per the demand by doing modification, adding balancing equipments for increasing production to meet demand. This gave the flexibility to the company for the better realisation and productivity.

For and On behalf of the Board of Directors
MAHALAXMI SEAMLESS LTD.

Place: Mumbai
Date : 29/06/2006

Sd/-
MADHAV PRASAD JALAN
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Statements in this management discussion and analysis of financial condition describing the Company's objectives, expectations etc. are predictions and may be forward-looking within the meaning of applicable securities, laws and regulations. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include cost of fuel, determination of tariff and such other changes and levies by regulatory authority, changes in Government Regulations, Tax laws, Economic Developments within the country and such other factors.

The Financial statements have been prepared in compliance with the requirements of the Companies Act. 1956 and generally accepted accounting principles in India. The management of Mahalaxmi Seamless Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. These estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner the sale affairs and profits for the year.

HR AND INDUSTRIAL RELATIONS:

The Company firmly believes that "people" are the pivotal force behind the success of its growth. Coping with the tremendous challenges facing your Company. It can remain operational and profitable only by unleashing the latent capabilities of its people. Your Company tries very hard to ensure that its HR philosophy is translated in the action.

COMMUNITY DEVELOPMENT:

The Company exhibits a high level of concern for Society in order to be a good corporate citizen. The Company places high importance on the development of the community its area of business.



CORPORATE GOVERNANCE REPORT

MANDATORY REQUIREMENTS:

REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Mahalaxmi Seamless Limited's philosophy of corporate governance envisages attainment of the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, Government and parties concerned. The company cares for ethical values down the line and shall not compromise on any of them. The Company's Guiding Principles are focused to achieve the highest standards of good corporate Governance and is striving hard for improve standards. To achieve these goals the Company has formed Executive Committee, Management Committee and Operation Committee consisting of Senior Managers of the company and also various committee of Board of Directors.

II. BOARD OF DIRECTORS

As on 31st March, 2006 the strength of Board of Directors was 7, comprising of 3 Executive Directors and 4 Non Executive Directors.

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors meets with the requirements of Clause 49 (1) (A) of the Listing Agreement. None of the Directors on the Board is a member on more that ten Committees and Chairman of more than five Committees as per Clause 49 (IV) (B) across all Companies in which they are Directors. There were no change in the composition of the Board of directors during the financial year.

Non-Executive Directors do not have any pecuniary relationship with the company.

The present composition of the Board of Directors and also the number of other Board of Directors of which he is a Member/ Chairman are as under:

| Names of Directors | Category of Directorship | Directorship in other companies | No. of Board Committees (other than Mahalaxmi Seamless Ltd.) in which Chairman/Member | |
|-------------------------------|----------------------------|---------------------------------|--|--------|
| | | | Director | Member |
| Shri M.P. Jalan | C.M.D. | 2 | 1) Jaguar Overseas Limited 2) JVN Fuel Limited | 2 |
| Shri Narendra Sakariya | Jt. Managing Director | 1 | Sakariya Finance Pvt. Ltd. | 1 |
| Shri Vivek Jalan | Executive Director | Nil | Nil | Nil |
| Shri Narendra Kumar Dalmia | Independent, Non-Executive | 3 | 1) Soanwaria Polysters Pvt. Ltd. 2) Sunrise Commercial Pvt. Ltd. 3) Omnitex Industries Ltd. | 3 |
| Shri Manish Dalal | Independent Non-Executive | 3 | 1) Sarayu Issue Management Services Pvt. Ltd. 2) Ancient Leasing Finance & Inv. Co. Ltd. 3) Credence Sound & Vision Ltd. | 3 |
| Shri Chetan Jain | Independent Non-Executive | 2 | 1) Tricame Health Care Pvt. Ltd. 2) Tricame Life Science Ltd. | 2 |
| Shri Jeevan Prakash Hingorani | Independent Non-Executive | Nil | Nil | Nil |



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BOARD PROCEDURE:

The Board meets at least once a quarter to review the quarterly performance and the financial results. The Board's role, functions, responsibility and accountability are clearly defined. All major decisions involving policy formulations, business plans, annual operating budgets, compliance with statutory requirements, major accounting provisions and write-offs are considered by the Board.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

09 (Nine) Board Meetings were held during the financial year ended March 31, 2006, the dates of which are 30/06/2005, 29/07/2005, 23/08/2005, 29/09/2005, 29/10/2005, 30/12/2005, 30/01/2006, 28/02/2006 & 31/03/2006. The attendance of each Director at Board Meetings and the last Annual General Meeting is as under :

| Name of the Director | No. of Board meetings attended | Attendance of last AGM held on 28/09/2005. |
|-------------------------------|--------------------------------|--|
| Shri Madhav Prasad Jalan | 09 (Nine) | Attended |
| Shri Narendra Sakariya | 09 (Nine) | Attended |
| Shri Vivek Jalan | 09 (Nine) | Attended |
| Shri Manish Dalal | 02 (Two) | Attended |
| Shri Narendra Kumar Dalmia | 01 (One) | No |
| Shri Chetan Jain | 01 (One) | No |
| Shri Jeevan Prakash Hingorani | 01 (One) | No |

2. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE

The Audit Committee of the Company, inter-alia, acts as a control mechanism in the financial and other important departments of the Company. The terms of reference of the Audit Committee are in accordance with paragraphs C and D of Clause 49 (II) of the Listing Agreement and as specified by the Board of Directors of the Company.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India during the year. The role of the Audit Committee includes the following :

- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other service
- Reviewing with management the financial statements before submission to the Board.
- Reviewing with the management and the external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function and procedures.
- Discussion with internal auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussions with External Auditors before the audit commences, the nature and the scope of Audit as well as have post audit discussion.
- Reviewing the Company's financial and risk management policies.

COMPOSITION

The Audit Committee comprises of three Directors. All these Directors possess knowledge by corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

Names of Members

- Shri Manish Dalal
- Shri Narendra Kumar Dalmia
- Shri Chetan Jain

Designation

- Chairman Independent, Non-Executive
Member Independent, Non-Executive
Member Independent, Non-Executive