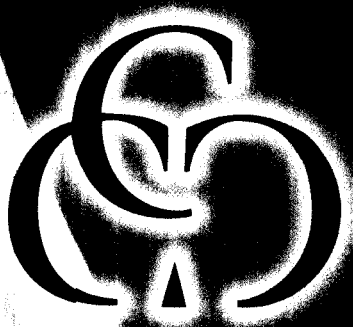


12th
ANNUAL REPORT
2005 - 2006



METAL COATINGS (INDIA) LIMITED



CORPORATE INFORMATION

DIRECTORS

R. C. Khandelwal	Chairman
Pramod Khandelwal	Managing Director
A. P. Khandelwal	
Virendra Hajela	
K. L. Gupta	
D. P. Khandelwal	

AUDITORS

Anil Khandelwal & Associates
Chartered Accountants

BANKERS

Canara Bank

REGISTERED OFFICE

K-81 A, Lajpat Nagar-II,
New Delhi - 110024

WORKS

- (i) Sector - 45, Meola Maharajpur,
Faridabad - 121003
- (ii) 112 - 113, HSIDC Industrial Estate,
Sector-59, Faridabad - 121004

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12TH ANNUAL GENERAL MEETING

Day	· Friday
Date	· 29th September, 2006
Time	· 03.00 p m
Venue	Arya Samaj Bhawan, Maharishi Dayanand Marg, Malviya Nagar, New Delhi - 110 017

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**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twelveth Annual General Meeting of Metal Coatings (India) Limited will be held at Arya Samaj Bhawan, Maharishi Dayanand Marg, Malviya Nagar, New Delhi - 110 017 on Friday the 29th day of September, 2006 at 03.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit and Loss Account for the year ended on that date, and the report of the Directors and Auditors thereon
2. To appoint a Director in place of Mr. Virendra Hajela who retires by rotation and who, being eligible, offers himself for reappointment.
3. To declare a dividend for the financial year ended 31st March, 2006.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Anil Khandelwal and Associates, Chartered Accountants, retiring Auditors being eligible have given their consent for being considered for reappointment

By Order of the Board

Date : 29.06.2006
Place : New Delhi

Pramod Khandelwal
Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company. A blank proxy form is enclosed. If used, it should be deposited with the Company, duly executed not later than 48 hours before the commencement of the Annual General Meeting
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 26th day of September, 2006 to Thursday the 28th day of September, 2006 (both days inclusive)
3. Members are requested to notify immediately any change in their address to the Company's Registered Office
4. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast 10 days in advance so as to enable the management to keep the information ready.
5. Shareholders are requested to kindly bring their copies of Annual Report to the meeting
6. The dividend on shares as recommended by the Board of Directors, if declared at the meeting will be paid to those shareholders whose name appear in the register of members on 28th September, 2006

By Order of the Board

Date : 29.06.2006
Place : New Delhi

Pramod Khandelwal
Managing Director

**DIRECTORS' REPORT**

TO THE MEMBERS,

The Directors of your Company have pleasure in presenting their TWELVETH ANNUAL REPORT together with the Audited Statements of Account for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

	<i>(Rs. in lacs)</i>	
	2005-06	2004-05
Total Income	8277	7313
Operating Profit	341	329
Profit before Tax	130	114
Provision for Taxation	45	42
Profit after Tax	85	72

PERFORMANCE REVIEW

The Company achieved a growth of 12% in Total Income during the year under review over 2004-05. The volume too grew by 12%. The profit after tax improved by a healthy 17% over this period. The Company registered a good volume growth of 21% in C.R.Strips and an encouraging 86% growth in H.R. Pickled Oiled Coils. The demand for Galvanised Steel Tapes, once the main stake of the Company, however dipped further with the same registering a negative growth of 20%.

DIVIDEND

Your Directors are pleased to recommend a dividend of 10% on the equity capital for the year 2005-06. If approved, the dividend payout will be Rs. 49.04 lacs & taxation on proposed dividend Rs. 6.88 Lacs.

PERSONNEL

Industrial relations remained cordial throughout the year. There is no employee who is in receipt of remuneration equivalent to or exceeding the amount prescribed u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

BOARD OF DIRECTORS

In accordance with the Articles of Association of the Company Mr. Virendra Hajela Director, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment.

NO DEFAULT

The Company has not defaulted in payment of interest or repayment of loans to any of the financial institutions and/or banks during the period under review.

ENERGY CONSERVATION, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE

Particulars in relation to conservation of energy, technology absorption and foreign exchange earning and outgo as required under section 217 (1) (e) of the Companies Act, 1956 are given and form a part of this report.

**LISTING AND LISTING AGREEMENT**

Shares of the Company are listed with The Stock Exchange, Mumbai. The Company has paid the annual listing fee to the Stock Exchanges.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with the provisions of section 217(2AA) of the Companies Act, 1956 your Directors hereby confirm that

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2006 all the applicable accounting standards have been followed along with proper explanation relating to all material departures;
- (ii) accounting policies were adopted and applied consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit and loss of the Company for the year ended on that date;
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities have been taken and
- (iv) the Annual Accounts have been prepared on a 'going concern' basis.

AUDITORS

M/s Anil Khandelwal & Associates, Chartered Accountants, Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made as part of Annual Report.

ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation to Banks, Financial Institutions, suppliers and customers constituting the supply chain, employees and the shareholders of the Company for their continued support and co-operation.

For and on behalf of the Board of Directors

Date : 29.06.2006
Place : New Delhi

(Pramod Khandelwal)
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE

The Company is engaged in the manufacture and sale of Galvanised Steel Tape, Cold Rolled Steel Strips, H.R. Pickled Oiled Coils/Strips, C.R. Flat Wire Strips, Galvanised Wire and Galvanised Strips. These products are used by a wide range of user industries such as Auto Components, Power Transmission Equipment, White Goods, Defence Equipment, Electrical Equipment, Communication Cables, Railway Signaling Cables etc.

OPPORTUNITIES & THREATS

The products of the Company are used predominantly in the Auto Components and in Power Transmission (Cables) industries. With the Indian economy growing rapidly, huge investments in the power sector is expected and consequently a good demand for power cables is expected, which in turn will steer the Galvanised Wire sales of the Company.

RISKS & CONCERNS

The availability of Wire Rods continues to be a cause of concern as the available capacities are not sufficient vis-a-vis the demand. As such, this continues to be a constraint on further growth of the Galvanised Wire business of the Company. Barring this, the Company is adequately geared to achieve its growth plans.

OUTLOOK :

C.R.STRIPS & H.R.PICKLED OILED

C.R.Strips and H.R.Pickled Oiled Coils & Strips are mainly used in the Auto Components and White goods sectors. With the economy growing and the income levels on the rise, the demand for automobiles and white goods will continue to be buoyant. The Company's products have wide acceptability in these segments and as such the outlook is promising.

GALVANISED WIRES

The eleventh five year plan envisages a huge investment of Rs. 700 billion in the power transmission sector. Of this about 10% is expected to be the outlay earmarked for power cables. This in turn would drive the demand for Galvanised wire which are likely to be used in the increased laying of power cables for transmission. As such the future for Galvanised Wire holdout good promise.

FINANCIAL PERFORMANCE

	(Rs. in lacs)	
	2005-06	2004-05
Sales	8228	7310
Other Income	49	3
Profit before Interest & Tax	247	233
Interest	117	119
Profit before Tax	130	114
Tax	45	42
Profit after Tax	85	72

Your Company's turnover was Rs. 8228 lacs as against Rs. 7310 lacs in the previous year. The profit was Rs. 130 lacs before tax as against Rs. 114 lacs in the previous year.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has adequate internal control system monitored by an Internal Auditor reporting to the Audit Committee. The Audit Committee is meeting periodically for reviewing the performance of the Company and formulating policies/issuing guidelines to the Management.

CAUTIONARY STATEMENT

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

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2005-06**

(as required under Clause 49 of the Listing Agreements entered into with the stock exchanges)

1. Company's Philosophy on Corporate Governance

Good corporate governance helps to achieve excellence to further enhance stakeholders value by focusing on long-term stakeholder value creation without compromising on integrity and regulatory compliances. Hence it has always been an integral part of your Company's philosophy and not merely arising out of compliance dictated by statutory requirements. It has been the endeavour of the Company's management to accord highest importance to ensuring fairness, transparency, accountability and responsibility to shareholders besides voluntarily implementing practices that would give optimum information to shareholders.

2. Board of Directors

The Company has an executive Chairman, a Managing Director and a Whole time Director. The number of independent Directors and Non-Executive Directors (NED) is 50% of the total number of Directors.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

Attendance of each Director at the Board meetings, last Annual General Meeting and number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies :

Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorship #	Committee Membership @
EXECUTIVE DIRECTORS					
1. R. C. Khandelwal	Chairman	6	Yes	1	1
2. Pramod Khandelwal	Managing Director	6	Yes	1	1
3. A. P. Khandelwal	Whole Time Director	6	Yes	--	1
INDEPENDENT NON EXECUTIVE DIRECTORS					
4 V. K. Hajela	Director	4	Yes	2	1
5 D. P. Khandelwal	Director	4	Yes	-	1
6 H. M. Gupta \$	Director	4	Yes	-	1
7 K. L. Gupta	Director	3	No	--	1

: Does not include directorships in companies excluded as per Section 278 of the Companies Act, 1956

@ : In accordance with Clause 49 of the Listing Agreement with the Stock Exchange, Membership / Chairmanship of only the Audit Committee, Shareholders' / Investors' Grievances Committee and the Remuneration Committee of all the Public Limited Companies has been considered

\$: Mr. H. M. Gupta has resigned from the Board w.e.f. 28.03.2005.

Number of Board Meeting held and the dates on which held

6 (Six) Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings held were as follows : 26th April, 2005, 24th June, 2005, 28th July 2005, 27th October, 2005, 27th January, 2006 and 28th March, 2006. The Company has held at least one meeting in every three months and the maximum time gap between any two meetings was not more than four months.

Brief Resume of the Director being reappointed, nature of his expertise in specific functional areas and names of companies in which he holds directorship and the membership of the committees of the Board are furnished hereunder:

Mr. Virendra Hajela - He has 43 years of experience including 35 years in a variety of industries including engineering, chemicals, synthetic fiber, rubber, glass, electronics and telecommunications. He was Executive Director on the Supervisory Board of RPG Enterprises and had responsibility for all the companies in the RP Goenka Group in the business of Telecommunications, Information Technology and Glass Industry. Currently he is Chairman of Estel Communications Pvt. Ltd.