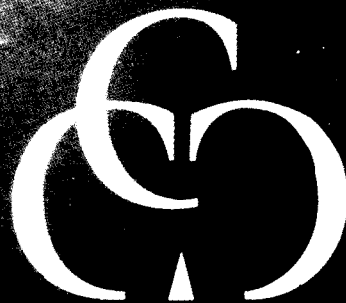


13th
ANNUAL REPORT
2006 - 2007

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METAL COATINGS (INDIA) LIMITED



CORPORATE INFORMATION

DIRECTORS

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

AUDITORS

Anil Khandelwal & Associates
Chartered Accountants

BANKERS

Canara Bank

REGISTERED OFFICE

A-178/12A, Ground Floor, Dayanand Colony,
Lajpat Nagar-IV, New Delhi - 110024.

WORKS

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

13TH ANNUAL GENERAL MEETING

| | | |
|-------|---|--|
| Day | : | Friday |
| Date | : | 28th September, 2007 |
| 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 Thirteenth Annual General Meeting of Metal Coatings (India) Limited will be held at Arya Samaj Bhawan, Maharishi Dayanand Marg, Malviya Nagar, New Delhi - 110017 on Friday the 28th day of September, 2007 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007, 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. K. L. Gupta who retires by rotation and who, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. D. P. Khandelwal who retires by rotation and who, being eligible, offers himself for reappointment.
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 : 29.06.2007

Place : New Delhi

(PRAMOD KHADELWAL)
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 Wednesday the 26th day of September, 2007 to Friday the 28th day of September, 2007 (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.

By Order of the Board

Date : 29.06.2007

Place : New Delhi

(PRAMOD KHADELWAL)
Managing Director

**DIRECTORS' REPORT**

TO THE MEMBERS,

The Directors of your Company have pleasure in presenting their THIRTEENTH ANNUAL REPORT together with the Audited Statements of Account for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS*(Rs. in lacs)*

| | 2006-07 | 2005-06 |
|------------------------|---------|---------|
| Total Income | 9072 | 8277 |
| Operating Profit | 263 | 341 |
| Profit before Tax | 62 | 130 |
| Provision for Taxation | 23 | 45 |
| Profit after Tax | 39 | 85 |

PERFORMANCE REVIEW

During the year under consideration the Company's turnover was Rs. 9054 lacs as against Rs. 8228 lacs in the corresponding previous year, showing a growth of more than 10%. The profit, however, dipped to Rs. 62 lacs as against Rs. 130 lacs in the previous year. The year under review witnessed an unprecedented surge in price of steel and zinc. Volatility in the prices further worsened the situation. Raw Material prices touched all time high and the increase could not be entirely passed on due to the volatility in prices on the one hand and long term commitments that the Company had with many of the customers on the other, resulting in the Company having to absorb most of the cost increase. This affected the bottomline adversely. The Company has registered a phenomenal volume growth of 133% in the H.R. Pickled Oiled Coils segment. The Galvanised Steel Tape business, once the mainstay of the Company, has been discontinued because of shrinking of the market to very low level making it uneconomical to continue the business.

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. K. L. Gupta and Mr. D. P. Khandelwal Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves 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, 2007 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, 2007 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 : 29.06.2007

Place : New Delhi

(PRAMOD KHADELWAL)

Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE

The Company is engaged in the manufacture and sale of 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 etc.

OPPORTUNITIES AND 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 AND CONCERNS

Volatility in Zinc prices is a cause of concern. Barring this, the Company is adequately geared to achieve its growth plan.

OUTLOOK

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

C.R.Strips & 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 holds out good promise.

FINANCIAL PERFORMANCE

(Rs. In lacs)

| | 2006-07 | 2005-06 |
|------------------------------|---------|---------|
| Sales | 9054 | 8228 |
| Other Income | 18 | 49 |
| Profit before Interest & Tax | 195 | 247 |
| Interest | 133 | 117 |
| Profit before Tax | 62 | 130 |
| Tax | 23 | 45 |
| Profit after Tax | 39 | 85 |

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 2006-07**

(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 | 4 | Yes | 1 | 1 |
| 2. Pramod Khandelwal | Managing Director | 4 | Yes | 1 | 1 |
| 3. A. P. Khandelwal | Whole Time Director | 4 | Yes | — | 1 |
| INDEPENDENT NON EXECUTIVE DIRECTORS | | | | | |
| 4. V. K. Hajela | Director | 4 | Yes | 2 | 1 |
| 5. D. P. Khandelwal | Director | 3 | Yes | — | 1 |
| 6. K. L. Gupta | Director | 2 | 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

Number of Board Meeting held and the dates on which held

4 (Four) Board Meetings were held during the year. The dates on which the meetings held were as follows : 29th June, 2006, 28th July, 2006, 31st October, 2006 and 30th January, 2007. 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. K. L. Gupta, is B.E.(Metallurgical) and has 36 years experience in Metallurgical Industry. He does not hold any directorship in other Company.

Mr. D. P. Khandelwal, has more than 55 years experience in textile and garments in Jaipur, Rajasthan. He does not hold any directorship in other Companies.