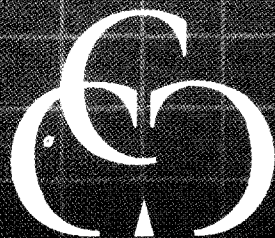


11th  
Annual Report  
2004-2005



**METAL COATINGS (INDIA) LIMITED**



## **CORPORATE INFORMATION**

### **DIRECTORS**

**R. C. Khandelwal**  
**Pramod Khandelwal**  
**A. P. Khandelwal**  
**Virendra Hajela**  
**H. M. Gupta**  
**K. L. Gupta**  
**D. P. Khandelwal**

Chairman  
 Managing Director

### **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.

### **11TH ANNUAL GENERAL MEETING**

Day : Wednesday  
 Date : 28th September, 2005  
 Time : 10.30 A.M.  
 Venue : Royal Court,  
 41, Ring Road,  
 Lajpat Nagar - IV  
 New Delhi - 110 024

### **CONTENTS**

Notice .....	2
Directors' Report .....	3-4
Management Discussion & Analysis .....	5
Report on Corporate Governance .....	6-10
Auditors' Report .....	11-13
Balance Sheet .....	14
Profit & Loss Account .....	15
Schedules .....	16-22
Cash Flow Statement .....	23
Balance Sheet Abstract .....	24

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Eleventh Annual General Meeting of Metal Coatings (India) Limited will be held at Royal Court, 41, Ring Road, Lajpat Nagar-IV, New Delhi - 110024 on Wednesday the 28th day of September, 2005 at 10.30 A.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, 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 : 24.06.2005

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 Monday the 26th day of September, 2005 to Wednesday the 28th day of September, 2005 (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 : 24.06.2005

Place : New Delhi

**Pramod Khandelwal**

Managing Director



**DIRECTORS' REPORT**

TO THE MEMBERS,

The Directors of your Company have pleasure in presenting their ELEVENTH ANNUAL REPORT together with the Audited Statements of Account for the year ended 31st March, 2005.

**FINANCIAL HIGHLIGHTS***(Rs. in lacs)*

	2004-05	2003-04
Total Income	7313	5522
Operating Profit	329	327
Profit before Tax	114	120
Provision for Taxation	42	43
Profit after Tax	72	77

**PERFORMANCE REVIEW**

The Company achieved a spectacular growth of 32% in Total Income during the year under review over 2003-04. The corresponding growth in volume has been about 12%.

The year under review witnessed an unprecedented surge in price of steel. Raw Material prices were at all time high and the increase could not be entirely passed on due to monthly and quarterly commitments that the Company has with many of the customers. Consequently there has been a marginal reduction in Profit after Tax.

During the year, the Company has completed the Expansion Project for C. R. Strips which has taken the C. R. Strips manufacturing capacity to 17000 TPA.

The increase in operation will require higher working capital. The Directors feel that it would be in the interest of the Company to skip dividend in this year and conserve funds for the smooth running & growth of the Company. Therefore the Directors do not propose payment of dividend for the year 2004-05.

**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 Exchange.



## METAL COATINGS (INDIA) LIMITED

### 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, 2005 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, 2005 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 : 24.06.2005  
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 Communication Cables, Auto Components, Power Transmission Equipment, White Goods, Defence Equipment, Electrical Equipment, Railway Signaling Cables etc.

### **THREAT AND OPPORTUNITIES**

The Company has recently diversified into H R Pickled Oiled (HRPO) Coils and Strips which are used in Automotive Components and Construction Industries and Galvanised Wires which find use in Power Transmission Cable. There is a good growth potential in these industries which would translate into a good demand for these products.

### **RISKS AND CONCERNS**

H.R.Coils, Wire Rods and Zinc constitute the major raw materials of the Company. The prices and availability are directly linked to international demand. Prices and availability of materials have been very volatile most of last year. The impact of this volatility would however be reduced this year as the Company is better equipped now with better tie-ups on sourcing.

### **OUTLOOK**

The Company is catering to, amongst others, the auto components and power cables sector. With the increase in demand for vehicles in the country and global outsourcing of auto components from India, the outlook for this sector is promising. Further the expected growth in the power cable sector which uses Galvanised Wire produced by the Company holds out good potential for higher demand for the Company's products. On the whole, the Company expects to register a good growth in the forthcoming years.

### **FINANCIAL PERFORMANCE**

(Rs. In lacs)

	<b>2004-05</b>	<b>2003-04</b>
Sales Sales	7310	5519
Other Income	3	3
Profit before Interest & Tax	233	235
Interest	119	115
Profit before Tax	114	120
Tax	42	43
Profit after Tax	72	77

Your Company's turnover was Rs. 7310 lacs as against Rs. 5519 lacs in the previous year. The profit was Rs. 114 lacs before tax as against Rs. 120 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 2004-05**

(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 @
<b>EXECUTIVE DIRECTORS</b>					
1. R. C. Khandelwal	Chairman	6	Yes	—	1
2. Pramod Khandelwal	Managing Director	6	Yes	—	1
3. A. P. Khandelwal	Whole Time Director	5	Yes	—	1
<b>NON-EXECUTIVE DIRECTORS</b>					
4. Vimal Prabha Khandelwal *	Director	3	Yes	—	—
5. R. S. Khandelwal *	Director	4	Yes	—	—
<b>INDEPENDENT NON EXECUTIVE DIRECTORS</b>					
6. V. K. Hajela	Director	2	Yes	10	1
7. D. P. Khandelwal	Director	4	Yes	—	1
8. H. M. Gupta	Director	2	Yes	—	1
9. K. L. Gupta	Director	2	Yes	—	—

# : 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' Grievance Committee and the Remuneration Committee of all the Public Limited Companies has been considered.

\* : Mr. R.S. Khandelwal and Mrs. V. P. Khandelwal have resigned from the Board w.e.f. 03.12.2004.

**Number of Board Meeting held and the dates on which held**

6 (Six) Board Meeting were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings held were as follows : 12th May, 2004, 29th June, 2004, 30th July 2004, 27th October, 2004, 3rd December, 2004 and 31st January, 2005. 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 Directors being reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder: