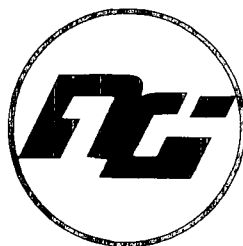


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National General Industries Ltd.

An ISO 9001 : 2000 Certified Company

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**Eighteenth Annual Report
2003 - 2004**



BOARD OF DIRECTORS

Shri Ashok Kumar Modi	-	Chairman & Managing Director
Shri Pawan Kumar Modi	-	Joint Managing Director
Shri Pankaj Kumar Agarwal	-	Director
Shri Brij Bhushan Gupta	-	Director
Shri Vasu Modi	-	Director
Shri Anshuman Goenka	-	Director
Shri Vineet Bansal	-	Company Secretary

AUDITORS

R.K. Govil & Co.

Chartered Accountants

4, Kiran Enclave, Behind Hotel
Samrat, G.T. Road, Ghaziabad.

REGISTERED OFFICE

3RD Floor, Surya Plaza, K-185/1,
Sarai Julena, New Friends Colony,
New Delhi 110 025.

WORKS/DIVISIONS

9th Mile Stone, G.T. Road,
Mohan Nagar, Ghaziabad- 201 007

BANKERS

State Bank of Patiala
Standard Chartered Bank

STOCK EXCHANGES

Ahmedabad, Delhi, Jaipur and
Mumbai



NATIONAL GENERAL INDUSTRIES LTD.

NOTICE

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Members of National General Industries Limited will be held at Nawal Vihar, Farm 7, Dera Gaon, New Delhi 110 030, on Thursday, the 30th day of September, 2004 at 11.30 a.m. for the transaction of the following business:

ORDINARY BUSINESS

- ❖ To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2004, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- ❖ To appoint a Director in place of Mr. Pankaj Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
- ❖ To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:-**

"RESOLVED THAT Messrs. R.K. Govil & Company, Chartered Accountants, the retiring auditors be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of Sixteenth Annual General Meeting until the conclusion of next Annual General Meeting of the Company and the Board of Directors be and is hereby authorized to fix their remuneration for the said period."

For NATIONAL GENERAL INDUSTRIES LTD.

Place: New Delhi
Date: 31st July, 2004

Vineet Bansal
Company Secretary

NOTES

- ❖ A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxy in order to be effective must be received at the registered office of the Company not less than 48 hours before the commencement of the meeting.
- ❖ Members/Proxies are requested to bring their attendance slip along with their copies of Report and Accounts to the Meeting.
- ❖ The Register of Members and Share transfer Books of the Company will remain closed from 28th September, 2004 to 29th September, 2004 (both days inclusive).

The Securities of the Company are listed at the Ahmedabad, Delhi, Jaipur and Mumbai Stock Exchanges and the Company has paid the annual listing fees for the financial year 2003-2004.

By order of the Board,
For NATIONAL GENERAL INDUSTRIES LTD.

Place : New Delhi
Date : 31st July, 2004

Vineet Bansal
Company Secretary

DIRECTORS' REPORT

To,
The Members,
Your Directors have the pleasure in presenting herewith the Eighteenth Annual Report together with Audited Statement of Accounts for the year ended on 31st March, 2004.

FINANCIAL RESULTS

	Rs. in lacs	
Year Ended March 31	2004	2003
Total Income	<u>1809.03</u>	<u>1760.73</u>
Profit/(loss) before interest, depreciation, tax and Extra-ordinary Item	243.09	97.18
Extra-ordinary Item	<u>-</u>	<u>60.67</u>
	243.09	36.51
Less:		
Interest	15.39	19.16
Depreciation	<u>13.04</u>	<u>13.69</u>
Profit before tax	214.66	3.66
Add:		
Surplus brought forward from previous year	40.20	46.70
Excess provision written back	-0.45	1.75
Deferred tax Assets	<u>-</u>	<u>12.09</u>
	254.41	64.20
Less:		
Provision for tax	<u>53.68</u>	<u>24.00</u>
Profit available for appropriation	200.73	40.19
Transfer to General Reserve	<u>40.00</u>	<u>-</u>
Balance carried to Balance Sheet	<u>160.73</u>	<u>40.20</u>

OPERATIONAL PERFORMANCE

The operational performance of your company has been very good. The Iron & Steel Re-rolling business witnessed sharp recovery in margins and return while the other segments comprising of agency of sales/marketing of pipes and Investments in Equity Shares/Mutual Funds also delivered satisfactory results amidst challenging industry environment. The Gross revenue has risen from Rs.1761 lacs to Rs.1860 lacs. Profit before tax and extraordinary item soared to Rs.214.66 lacs from Rs.64.33 lacs.

DIRECTORS

Mr Pankaj Kumar Agarwal retires by rotation and being eligible, offers him-self for re-appointment.

AUDITORS AND THEIR REPORT

M/s R.K. Govil & Company, Chartered Accountants, the auditors of the Company retires at the forthcoming Annual General Meeting and eligible offers themselves for re-appointment. The Company has received a certificate from them to the effect that their appointment if made will be within the prescribed limits as mentioned under section 224(1B) of the Companies Act, 1956. The comments in the Auditors Report read with notes on accounts in Schedule 18 are self explanatory and do not call for further explanation.



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

The Company does not have any employee whose remuneration falls under the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. The information under section 217(1)(e) of the said act read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is set out in annexure "A" and forms part of this report.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors' give statement that :

- I) In preparation of the annual accounts for the Financial year 2003-2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- II) The Directors' had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended on March 31, 2004 and of the profits of the Company for that period;
- III) Proper and sufficient care had been taken 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 other irregularities;
- IV) Annual accounts had been prepared on a going concern basis.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance is separately attached together with a report on Management Discussion and Analysis.

PERSONNEL

The directors wish to place on records their deep appreciation for the services rendered by all the employees of the Company. It is gratifying to note that the industrial relations remained cordial and peaceful.

ACKNOWLEDGEMENT

Your directors also wish to thank and deeply acknowledge the continued valuable assistance, co-operation and support extended by the central and state government authorities and banks. The Board also gratefully acknowledges the support and the goodwill extended by the dealers, customers, suppliers and shareholders of the Company.

For and on behalf of the Board

Place : New Delhi
Date : 31st July, 2004

(Ashok Kumar Modi)
Chairman & Managing Director

ANNEXURE "A" TO DIRECTORS' REPORT

Particulars as required under the Companies (Disclosure of the particulars in the report of Board of Directors) Rules 1988, and forming part of the Directors' Report for the year ended 31st March, 2004.

I. CONSERVATION OF ENERGY

During the year under review, wherever possible, energy conservation measures have been taken and there are no major areas where further energy conservation can be taken. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

II. RESEARCH AND DEVELOPMENT (R & D)

a) Specific areas in which R & D carried out by Company

The Company has been continuously carrying on Research & Development activities for improving the quality, production process and development of new products.

b) Benefits derived as a result of above R & D

The R & D has helped the Company to achieve raw material efficiency, better quality consistency and develop new products.

c) Further plan of action

Product up gradation, identification and development of new products to meet Company's requirement of growth and sustenance.

d) Expenditure on R & D

Expenditure charged under respective primary heads of accounts.

III. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

a) Efforts made towards technology absorption adaptation & innovation

The Company is using latest techniques for production.

b) Benefits derived as a result of the above efforts.

Improved productivity, better quality and yield resulting into cost savings.

c) Particulars relating to imported technology.

Nil

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Earnings

Nil

b) Outgo by way of other expenditure

0.37 Lacs
(1.04) Lacs



MANAGEMENT DISCUSSION AND ANALYSIS

(a) Business Environment

After a gap of several years, in 2003-04 the Indian Economy witnessed a healthy growth across all three major sectors; Industry, Agriculture and Services. Overall real GDP growth rose to 8.2 per cent as compared to 4.0 per cent in 2002-03. Iron & Steel Sector witnessed a robust growth during 2003-04, which is attributable to a strong demand from China, rising Iron & Steel prices, expectations of US recovery and increased fund demand.

Other indicators of the economic performance were also positive. Interest rates declined, there was a significant enhancement of forex reserves, liquidity in the banking system was more than comfortable and the Rupee appreciated against US Dollar.

The resolve of the new Government to focus from now onwards on stepping up the growth of rural India and enhancing productivity and value creation in the agricultural sector, supported by improved infrastructure, bodes well for the future of your company.

The Iron & Steel Rolling Industry plays an important roll in the growth of Iron & Steel Industry in the developing economy like India. The Iron & Steel rolling industry has gone sea changes over a period of time and now it has become an organized one.

The key development in the domestic Iron & Steel Re-rolling industry is the use of latest technology. Rising demand of the rolled products from the manufacturing industry and launch of various sizes of rolled product is the major growth driver for the Industry.

(b) Opportunities, Threats & Risks

The increased demand of rolled products by the manufacturing Industry is likely to provide an opportunity to grow the Company in the years to come. The Company has, with long years of experience in running Iron & Steel rolling business, developed strengths and expertise in Rolling of Iron & Steel.

Governments' thrust on providing safe drinking water and proper discharge of sewage disposal is likely to accelerate the demand of Pipes. The Company has an ambitious marketing strategy to develop the Ductile Iron and Cast Iron Pipes for the various projects the Government likely to undertake to the aforesaid purpose. With the turnaround of the economy the Stock Market of the Country have started looking up.

The Iron & Steel Rolling Industry in India has become extremely competitive. Better margins have encouraged a large number of new entrants onto the Market, most of them have been setting integrated plant thus they can offer better products at lower prices. Similarly Pipe market is also very highly competitive and because of the lower prices of MS/AC/PVC Pipes some of the Projects may shift to these Pipes.

(c) Segment-wise Financial Performance

The Company is engaged in the business of Iron & Steel Re-rolling and having its works at Sahibabad- Distt. Ghaziabad (U.P.). Apart from this the Company is the Sales and Marketing Agent of Electrosteel Castings Ltd. to Market and sale the Ductile Iron, Cast Iron and their Fittings in the Northern India. The Company also has investment activities through secondary market operations. The surplus funds of the Company are invested in the Mutual Funds and Equity shares of other Companies by purchase/sale through the Stock Market operations.

For the year under review, the rolling business contributed about Rs.52 lacs while Sales & Marketing and Investment activities contributed Rs.162 Lacs to the profits of the Company.

(d) Outlook

The Company is well positioned in the emerging business scenario with a clear objective to enhance market share. Our focus is on realizing our vision, which will create long-term value for our shareholders.

(e) Internal Control Systems and Adequacy

The Company maintains a system of well-established policies and procedures for internal control of operations and activities of the Company. The internal audit function is being further strengthened in consultation with statutory auditors for monitoring statutory and operational issues. Any significant issues are brought to the attention of the Audit Committee of the Board. Audit Committee reviews it periodically and suggestions and recommendations made by it are carried out.

(f) Human Resources Interventions in 2003-04

Considering Human Resources as most important resource, the major thrust was on recruiting highly qualified executives in various departments and also recruiting highly skilled workers to strengthen the production. Training and development of employees continues to be an important focus area for increasing the competency levels in the organization.



CORPORATE GOVERNANCE

1 Company's Philosophy on Code of Governance

The Company has always been committed to the principles of good corporate governance. The Company fundamentally believes that good corporate governance should be an internally driven need and is not to be looked upon as an issue of compliance dictated by statutory requirements.

The Company's philosophy on corporate governance envisages an attainment of the highest level of transparency, accountability and equity in all facts of its operations and in all interactions with its stakeholders including the shareholders, employees, government and lenders.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time and at the same time protect the interest of stakeholders.

2 Board of Directors

Composition of the Board:

It is well recognized that there should be optimum combination of Executive and Non-executive Directors. National's Board meets with requirement as it consists of 4 Non-executive Directors out of total 6 Directors as on date, which accounts for more than 50% of the total strength of the Board. Moreover, 3 out of 4 Non-executive Directors are independent Directors.

Number of Board Meetings held and the dates of the Board Meetings:

6 Board Meetings were held during the period from 1st April 2003 to 31st March 2004. The dates on which the said meetings were held are as follows:

5th May, 2003, 30th June 2003, 31st July 2003, 31st October 2003, 31st January 2004, 25th February 2004.

Attendance of each Director at the Board Meeting and the last AGM

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at The last AGM
Shri Ashok Kumar Modi	Chairman & MD	4	Yes
Shri Pawan Kumar Modi	Joint M.D.	5	Yes
Shri Vasu Modi	N.E.D.	4	Yes
Shri Pankaj Kumar Agarwal	N.E.D. / I.D.	5	No
Shri Brij Bhushan Gupta	N.E.D. / I.D.	5	No
Shri Anshuman Goenka	N.E.D. / I.D.	6	No

M.D. Managing Director, N.E.D. Non Executive Director / I.D. Independent Director

Number of other Companies in which the Director (being a Director as on the date of the Directors' Report) is a Director/Chairperson or Member/Chairperson of committees.

Name of Director	No. of other Companies in which Director/Chairperson	No. of Committees of other Companies in which Member or Chairperson
Shri Ashok Kumar Modi	2	-
Shri Pawan Kumar Modi	2	-
Shri Vasu Modi	1	-
Shri Pankaj Kumar Agarwal	2	-
Shri Brij Bhushan Gupta	-	-
Shri Anshuman Goenka	-	-

3. Audit Committee

Composition & Terms of Reference

The Audit Committee comprised of 3 Directors viz. Shri Pankaj Kumar Agarwal, Shri Brij Bhushan Gupta and Shri Anshuman Goenka. Shri Brij Bhushan Gupta is the Chairman of the Audit Committee. All the directors in Audit committee are Non-executive independent Directors. The terms of reference of the Committee are wide enough covering the matters specified for Audit Committee under the listing Agreements. The Auditors, Manager (Accounts & Audit) of the Company are invited to attend the Meetings of Audit Committee. Shri Vineet Bansal, Secretary of the Company acts as the secretary to the Audit Committee. Three meetings of Audit Committee were held during the financial year on 25.06.2003, 31.10.2003 and 25.03.2004.. All the members of the Audit Committee were present at the said meetings.

Remuneration Committee

The Company has not formed Remuneration Committee of Directors, as it is non-mandatory requirement. The remuneration paid to Executive Directors was as per their agreement of appointment.

The Company does not have any Stock Options Scheme.

Shareholders/Investors Committee

The Board has constituted shareholders/Investors Committee. It comprises 3 Directors viz. Shri Brij Bhushan Gupta, Shri Pankaj Kumar Agarwal and Shri Anshuman Goenka, which look into shareholders/Investors related matters. Shri Brij Bhushan Gupta, who is non-executive Independent Director, is Chairman of the shareholders/Investors Committee.

Shri Vineet Bansal, Company Secretary, is the Compliance Officer of the Company. The Meeting of Shareholders/Investors Committee is held every month, in which transfers, transmission, issuances of certificates, etc. are approved. The Company has been receiving various correspondences from shareholders and required information/documents are furnished at the earliest possible to the satisfaction of shareholders.