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National General Industries Ltd.

An ISO 9001 : 2000 Certified Company



**Twentieth Annual Report
2005 - 2006**

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
HDFC Bank Ltd.

STOCK EXCHANGES - Ahmedabad, Delhi, Jaipur and
Mumbai

NOTICE

NOTICE IS HEREBY GIVEN that the Twentieth 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 Saturday, the 30th day of September, 2006 at 11.30 a.m. for the transaction of the following businesses:

ORDINARY BUSINESS

1. To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2006, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vasu Modi who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 Twentieth 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.”

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as **Special Resolution**:-

“RESOLVED THAT the existing article 96 of the Articles of Association of the Company be and is hereby substituted by the following article:

96. Subject to the provisions of the Companies Act, 1956 and Companies (Central Government's) General Rules and Forms 1956 as amended from time to time, sitting fee payable to Directors for attending the meeting of the Board of Directors or any of its Committees shall be such sum as the Central Government may prescribe from time to time. They shall also be entitled to reimbursement of traveling expenses and halting charges incurred by them”.

For NATIONAL GENERAL INDUSTRIES LTD.

Place: New Delhi
Date: 23rd August, 2006

Vineet Bansal
Company Secretary

NOTES

- 1) 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.
- 2) Members/Proxies are requested to bring their attendance slip along with their copies of Report and Accounts to the Meeting.

- 3) The Register of Members and Share transfer Books of the Company will remain closed from 28th September, 2006 to 29th September, 2006 (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 2005-2006.

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

Place : New Delhi
Date : 23rd August, 2006

Vineet Bansal
Company Secretary

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 4**

Pursuant to provisions of Section 310 of the Companies Act, 1956, and Article 96 of the Articles of Association of the Company, the Company is debarred from increasing remuneration of the Directors by way of a fee for each meeting of the Board or a committee thereof attended by any such Director exceeding Rs.500/-. The provisions relating to the payment of sitting fees, contained in the Companies Act, 1956 and the rules and regulations made by the Central Government in this respect have been amended from time to time.

Members are aware that as per the revised Clause 49 of the listing agreement the Board of Directors of the Company shall have an optimum combination of executive and non-executive Directors with not less than fifty percent of the Board of Directors comprising of non-executive Directors. Where the Chairman of the Board is a non-executive Director, at least one-third of the Board should comprise of independent Directors and in case he is an executive Director at least half of the Board should comprise of independent Directors.

In view of the increased responsibilities pressed on the Directors of the Company through various enactments and in order to attract more professional for independent Directorship on the Board of the Company, it is desired that the sitting fee payable to the non-executive independent Directors for attending the meeting of the Board and Committee thereof should be in line with the amended provisions of the Companies Act, 1956 and the rules and regulations made by the Central Government in this respect from time to time.

The Board recommends acceptance of the resolution set out in item 4 of the convening Notice.

The Directors (except the Directors in the whole-time employment of the Company) of your Company are interested in this resolution to the extent of remuneration proposed to be paid to them by way of sitting fees for each Board or committee meeting attended by them.

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

Place : New Delhi
Date : 23rd August, 2006

Vineet Bansal
Company Secretary

DIRECTOR'S REPORT

To,
The Members,
Your Directors have the pleasure in presenting herewith the Twentieth Annual Report together with Audited Statement of Accounts for the year ended on 31st March, 2006.

FINANCIAL RESULTS

	Rs. in lacs	
Year Ended March 31	2006	2005
Total Income	2127.66	2316.78
Profit/(loss) before interest, depreciation and tax	263.87	163.45
	263.87	163.45
Less:		
Interest	10.19	11.01
Depreciation	18.39	28.58
Profit after interest and depreciation	235.29	138.01
Add:		
Excess provision of income tax written back	0.66	0.53
Profit before tax (PBT)	235.95	138.54
Less:		
Provision for tax	61.80	42.50
Deferred tax liabilities	2.48	3.42
Provision for Fringe Benefit Tax	1.02	
Profit after tax (PAT)	170.65	
Add:		
Surplus brought forward from previous year	168.05	160.74
Prior year adjustment	(0.70)	(2.31)
Profit available for appropriation	338.00	251.05
APPROPRIATIONS :		
Transfer to General Reserve	233.00	83.00
Balance carried to Balance Sheet	105.00	168.05

OPERATIONAL PERFORMANCE

The operational performance of your company has been good. Though the turnover of Iron & Steel segment of your Company has declined from Rs.21.78 crores to Rs.19.56 crores, the margins have improved quite substantially. This was possible due to better product mix, quality management and 36% jump over the previous year's conversion charges. The Company is emphasizing to improve the same in the years to come. While the Iron & Steel Re-rolling business contributed Rs.117.82 lacs to the net profits the other segments comprising of agency of sales/marketing of pipes and Investments contributed Rs.117.47 lacs.

QUALITY MANAGEMENT

The Management System of your Company are in compliance with the requirement of international quality standard of ISO 9001 : 2000 and it has been duly certified by the JAS-ANZ, an International Certification Agency.

DIRECTORS

Mr. Vasu Modi 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 them selves 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 2005-2006, 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, 2006 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

Your Company is generally in compliance with the requirements and disclosures with respect to the Code of Corporate Governance as required by clause 49 of the listing agreements entered into with the Stock Exchanges. As a listed company, necessary measures are taken to comply with the listing agreement with the Stock Exchanges. 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

Yours 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 : 23rd August, 2006

(Ashok Kumar Modi)
Chairman & Managing Director

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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, 2006.

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

0.88 Lacs
(1.13) Lacs



MANAGEMENT DISCUSSION AND ANALYSIS

(a) Overview

In 2005-06, Indian economy has continued its upward movement with further momentum as compared with the previous three years. With the growth rate of 7.9% achieved in first nine months of the year the Indian economy continues to show signs of robustness. In spite of the increase in the international oil and steel prices, the Indian economy boosted by strong growth rates in agriculture, services and manufacturing sectors is expected to grow at a rate of around 8%. The government at the Center has carried forward the efforts to drive economic growth through the second generation of reforms.

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 main thrust of the government is on development of infrastructure of the Country. A lot of Project for construction of Flyovers, Dams, Roads, Water Supply and Sewage Pipelines etc. have been taken up. The Stock Markets in the Country have also performed in line with the economy of the Company. All these factors are good for the future of the Company.

The turnover of the re-rolling unit of the Company was affected due to firm iron & steel prices throughout the year. However overall margins increased due to better conversion business. The Stock Markets in the Country have also performed in line with the economy of the Company. Thus the investment segment has also done very well during the year.

(b) Opportunities, Threats & Risks

The robust growth in the economy has accelerated the demand of rolled products by the industry. Thus 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.

The increased FII investment into the Indian Stock Market is the indicator of their confidence on the growth journey of the Indian economy. Thus it is likely that the Indian Stock Market will continue their upward journey in the times to come.

With the globalisation, the raw material prices have become very volatile further the Iron & Steel Rolling Industry in India has become extremely competitive with the entry of lot of integrated Plants, which offers better products at lower prices. The Stock Markets of the Country are at their lifetime high, correction is imminent.