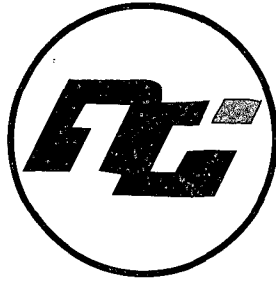


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NATIONAL GENERAL INDUSTRIES LTD.
An ISO 9001: 2000 Certified Company

**Twenty-First Annual Report
2006-2007**

NATIONAL GENERAL INDUSTRIES LTD.

NATIONAL GENERAL INDUSTRIES LTD.

BOARD OF DIRECTORS

Shri Ashok Kumar Modi	-	Chairman & Managing Director
Shri Pawan Kumar Modi	-	Joint Managing Director
Shri Pankaj Kumar Agarwal	-	Independent Director
Shri Chaitanya Dalmia	-	Independent Director
Shri Vasu Modi	-	Director
Shri Anshuman Goenka	-	Independent Director

COMPANY SECRETARY

Shri Gaurav Chugh	-	Company Secretary
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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

- Mumbai, Delhi, Ahmedabad and
Jaipur

NATIONAL GENERAL INDUSTRIES LTD.

NOTICE

Notice is hereby given that the Twenty-First 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 29th day of September, 2007 at 11.30 a.m. for the transaction of the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2007, 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. Pawan Kumar 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 M/s R.K. Goyil & Company, Chartered Accountants, the retiring auditors be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of Twenty-First 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 modifications, the following as an ordinary resolution:

“RESOLVED THAT Mr. Chaitanya Dalmia, who was appointed as Additional Director of the Company and who holds office until the date of the forthcoming Annual General Meeting of the Company pursuant to section 260 of the Companies Act, 1956 but who is eligible for appointment and in respect of whom the Company has received a notice from a member proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

5. Voluntary De-listing of the Company's Equity Shares from certain Stock Exchanges, in this respect to consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED that, in suppression of the resolution passed by the shareholders of the Company at their nineteenth Annual General Meeting held on 30th September 2005 in respect of voluntary de listing of the securities of the Company from certain Stock Exchanges, a fresh consent is hereby accorded, subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and exchange Board of India (de-listing of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), to the Board to de-list the Company's equity

NATIONAL GENERAL INDUSTRIES LTD.

shares from all or any of the Stock Exchanges viz. The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited, Jaipur Stock Exchange Association Ltd."

For NATIONAL GENERAL INDUSTRIES LTD.

Place: New Delhi
Date: 22nd August, 2007

Gaurav Chugh
Company Secretary

NOTES

- 1) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 2) *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.*
- 3) *The instrument appointing proxy must be received at the registered office of the Company not less than 48 hours before the commencement of the meeting.*
- 4) Members/proxies are requested to bring their attendance slip along with their copies of Report and Accounts to the Meeting.
- 5) The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
- 6) The Register of Members and Share transfer Books of the Company will remain closed from 25th September, 2007 to 27th September, 2007 (both days inclusive).
- 7) 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 2006-2007.

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

Place: New Delhi
Date: 22nd August, 2007

Gaurav Chugh
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No.5**

Presently the Equity Shares of the Company are listed at Ahmedabad, Delhi, Jaipur and Mumbai Stock Exchanges. The shareholders of the Company had vide their resolution passed at their Seventeenth meeting held on 25th September 2005, decided to delist the Equity Shares of the Company From Ahmedabad, Jaipur and Delhi Stock Exchanges. Since the process of de-listing was not commenced in that year, a fresh consent of the shareholders is required in this respect.

Members are aware that the Company has been paying annual listing fees to the stock exchanges where the equity shares of the Company are listed, which do not offer commensurate benefits to the Company/its investors. There has been nil trading observed at any of the aforesaid stock exchanges for the last six (6) years.

As per Securities and Exchange Board of India (De-listing of Securities) Guidelines -2003 dated 17th February, 2003 has permitted Companies to voluntarily de-list its shares from a Stock exchange where the shares are listed for a period of more than 3 years provided, inter-alia, the Company is authorized by the shareholders for making such an application for de-listing through special resolution. The Board of Directors has decided to take steps to have the equity shares of the Company de-listed from Ahmedabad, Delhi and Jaipur Stock Exchange. The Company's shares will continue to be listed at Mumbai Stock Exchanges which has got nation-wide trading terminals and the de-listing from Ahmedabad, Delhi and Jaipur Stock Exchanges will not affect the trading of the shares by members located in any part of the Country.

The Board of Directors of your Company recommend passing of the resolution set out under item no.5 as a Special Resolution.

None of the Directors of the Company are interested or concerned in the Resolution.

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

Place : New Delhi
Date : 22nd August, 2007

Gaurav Chugh
Company Secretary

NATIONAL GENERAL INDUSTRIES LTD.

DIRECTORS' REPORT

To,

The Members,

We are delighted to present our report on the business and operations of the company for the year ended March 31, 2007.

FINANCIAL RESULTS

	Rs. in lacs	
Year Ended March 31	2007	2006
Total Income	1,443.77	2,127.66
Operating profit before interest and depreciation	183.76	263.99
Interest	19.16	10.19
Depreciation	21.91	18.39
Profit after interest & depreciation	142.69	235.41
Add: Excess provision of tax writeback	0.97	0.66
Profit before tax (PBT)	143.66	236.07
Provision for taxation	15.10	61.80
Provision for FBT	1.44	1.02
Security Transaction Tax	0.83	0.12
Deferred tax liabilities	10.00	2.48
Profit after tax (PAT)	116.29	170.65
Balance Brought Forward	105.00	168.05
Prior year adjustment	-1.18	-0.70
Profit available for appropriation	220.11	338.00
Transfer to general reserve	125.00	233.00
Balance carried to Balance Sheet	95.11	105.00

OPERATIONAL PERFORMANCE

Due to maintenance, complete over hauling and capacity enhancement of plant situated at Mohan Nagar, Ghaziabad, no production activity was carried out During Apr-June 06. As a result of that turnover of Iron & Steel segment of your Company has declined from Rs. 19.56 crores to Rs.12.97 crores. However, the Gross profit margins have improved quite substantially. This was possible due to better product mix, quality management. The Company is emphasizing to improve the same in the years to come. While the Iron & Steel Re-rolling business contributed Rs.53.72 lacs to the net profits the other segments comprising of agency of sales/marketing of pipes and Investments contributed Rs.88.97 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. Pawan Kumar Modi retires by rotation and being eligible, offers him-self for re-appointment. During the year Mr. Brij Bhushan Gupta, Independent Director, resigned from the Board and Mr. Chaitanya Dalmia was appointed as Additional Director on the Board of the Company, who shall

hold office upto the date of the forthcoming Annual General Meeting and the company has received notice under section 257 of the Companies Act, 1956, proposing his candidature for appointment as Director on the Board of the Company, liable to retire by rotation.

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 2006-2007, 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, 2007 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.

NATIONAL GENERAL INDUSTRIES LTD.

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 : 22nd August, 2007

(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, 2007.

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

2.90 Lacs
(1.13) Lacs

MANAGEMENT DISCUSSION AND ANALYSIS

The Management of National General Industries Limited is pleased to present its analysis report covering segment-wise performance and outlook.

I. Overview

a) Global Economy

Economic conditions during the year continued to be buoyant around the world. Even Japan, which was mired in a stagflationary situation for several years, participated in the global growth momentum. Asia continued to be the prime mover of growth, with China once again dominating the world economic scene. India was not far behind. With the Indian economy growing at 9.4% in the year under review, it is expected that the current year as well will see India's GDP growing at around 9%.

b) Indian Economy

The Indian economy witnessed robust growth in FY 2006-07. India's GDP grew by 9.4% as compared to 9.0% in the previous year. India continues to be a high growth economy (second to China). The Indian economy grew at a stepped up rate for the consecutive fourth year from 3.8% in FY 2002-03 to 9.4% in FY 2006-07. The main drivers of growth were the manufacturing, services and construction sectors which grew by 12.5%, 11.0% and 10.7% respectively as compared to 9.1%, 9.8% and 14.2% respectively in the previous year.

c) Domestic Steel Industry

Indian Steel Industry registered a strong growth in steel consumption driven by strong growth in all steel consuming sectors viz. automotive (13.6%), capital goods (18.3%), construction (10.7%), consumer non-durables (10.5%) and consumer durables (9.1%) etc. During the fiscal year 2006-07, India's apparent steel consumption grew by 11.7% to 43.8 million tonnes. The flat products and long products consumption grew by 11.5% and 12.3% respectively. Domestic steel production grew by 11.1% to 49.4 million tonnes. Steel exports grew by 6.1% to 4.7 million tonnes and steel imports increased by 6.4% to 4.1 million tonnes.

II. Opportunities, Threats & Risks

World crude steel production has shown an increase of almost 10% in 2006 year on year (YoY). In 2007 a further 5.4% growth rate is anticipated. The past seven years of this millennium have been the most productive in the history of the steel industry - rising by more than 459 million tonnes (mt) over the period. This equates to 57% growth in output over the figure recorded in 1999.

The global steel industry is slated to grow from an average of 1.6% during 1990-2000 to 3.7% during 2003-2015. India is the next frontier as it possesses the advantages of inherent cost competitiveness combined with a promising demand within the country, and, in addressable international markets.

The steel industry is still highly fragmented and cyclical in nature as well as demand for steel products is generally affected by macroeconomic fluctuations in the global markets. The Company has undertaken several initiatives to insulate itself from volatility in steel prices by continuously enriching its product mix and moving up the value chain, branding