

A Rising Sun on Metal World

45th

Annual Report

PALCO

Palco Metals Limited

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Board of Directors :

Shri Kiran B. Agrawal
Shri Kanaiyalal Agrawal
Shri Ashok B. Agrawal
Shri Lalitkumar D. Gupta
Shri N. C. Jain

Bankers :

ICICI Bank Limited
J.M.C. House
Ahmedabad

State Bank of Saurashtra
Shahibaug Branch
Ahmedabad



Auditors :

M/s. Madhusudan C. Mashruwala & Co.
Chartered Accountant

Registered Office :

604/B, Sahjanand Shopping Centre,
Shahibaug Road, Ahmedabad - 380004

Corporate Office :

03 Chandratej Society,
Opp. Ram Mandir, Dutt Pada Subway,
Dutt Pada Road, Borivali (East) Mumbai.



Palco Metals Limited

Works :

Opp. Khanwadi, Ramol Road,
Ahmedabad - 382449



NOTICE

To The Shareholders,

Notice is hereby given that the 45th Annual General Meeting of the Members of the company will be held on 15th July 2006 at 11.00 A.M. at the Registered office of the Company at 604/B, Sahjanand Shopping Centre, Shahibaug Road, Ahmedabad - 380004 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2006 and 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. Ashok B. Agrawal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kanaiyalal B. Agrawal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

"Resolved That Mr. N.C. Jain who was appointed as an Additional Director of the Company w.e.f. 28/03/2006 and who holds office only upto the date of this annual general meeting pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the company liable to retire by rotation".

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the company. Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered office of the company not later than 48 hours before the commencement of the annual general meeting.
2. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to special business to be transacted at the annual general meeting is attached herewith.
3. The Register of Members and the Share Transfer Books of the company shall remain closed **from 10th July, 2006 to 15th July, 2006** (both days inclusive).
4. Members are requested to notify immediately the change in address if any to the Company.

EXPLANATORY STATEMENT Pursuant to Section 173 (2) of the Companies Act, 1956

ITEM NO 5 :

Mr. N.C. Jain appointed as an Additional Director of the company w.e.f. 28/03/2006, pursuant to Section 260 of the Companies Act, 1956 to hold office upto ensuing Annual General Meeting of the company but he is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the company is in receipt of notice in writing along with a deposit of Rs.500/- from some of the members signifying his intention to propose Mr. N.C. Jain for the office of Director. None of the Director except Mr. N.C. Jain is in any way concerned or interested in the resolution.

INFORMATIONS REQUIRED AS PER LISTING AGREEMENT FOR THE NEW APPOINTED DIRECTOR

Name of Director	: Mr. N.C. Jain
Date of Birth	: 27.07.1959
Educational Qualification	: B.E (HONS) MECH.
Works Experience	: 23Years Experience

Mr. N.C. Jain retires by rotation at the ensuing annual general meeting and being eligible, has offered himself for re-appointment. It will be interest of the company to reappoint him as Director of the company. None of the Director is interested in this resolution.

Place: Ahmedabad
Date: 20.06.2006

By Order of the Board
Kiran B. Agrawal
Director



DIRECTORS' REPORT

Dear Shareholders :

Your Directors have pleasure in presenting the 45th Annual Report along with the audited Balance Sheet and Profit and Loss Account for the year ended on 31st March, 2006.

(1) FINANCIAL RESULTS

	2005-2006 Amount (Rs. in '000)	2004-2005 Amount (Rs. in '000)
Profit Before Depreciation	11118	4921
Depreciation	2288	1802
Profit Before Tax	8830	3119
Provision For Tax	2400	235
Provision for Deferred Tax	(585)	1150
Fringe Benefit Tax	49	0
Profit After Tax	6966	1734

(2) OPERATION : During the year, the company has increased its turnover and has made a net profit after tax of Rs.69,66,629 as compared to the profit of Rs.17,33,787 last year after achieving satisfactory result in its operation during the year, the company continued its efforts during the year on improving the market for its products and popularizing its use. As a result of which your Directors are of the opinion that results in the coming years would also be satisfactory.

(3) AUTHORISED CAPITAL : During the year the company has increased its Authorised Capital to Rs. 10.00 crore and reclassified the same.

(4) DIVIDEND : Your Director does not recommend any dividend for the financial year ended on 31st March, 2006

(5) DIRECTOR : Mr. Ashok B. Agrawal and Mr. Kanaiyalal B. Agrawal who retire by rotation at the ensuing Annual General Meeting and they being eligible offer themselves for reappointment. During the Year Mr. N.C. Jain has been included as a Director on the Board of the Company.

(6) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO : Information as per section 217 (1) (E) read with Companies Disclosure of particulars in the report of the Board of Directors Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March, 2006.

(A) CONSERVATION OF ENERGY :

The Directors have made full efforts to minimize the consumption of electricity and Furnace Oil. There is marginal increase/ decrease in consumption of Electricity and Furnace Oil. The figures are given under:

(i) Electricity	2005-2006	2004-2005
Consumption of Total Unit	543392	224963
Consumption in Rupees	18,37,705	10,86,658
Average Rate per Unit	3.38	4.83
(ii) Furnace Oil	2005-2006	2004-2005
Consumption of Total Unit	457181	219860
Consumption in Rupees	73,64,841	30,66,281
Average Rate per Unit	16.11	13.95

(B) TECHNOLOGY ABSORPTION :

EXPANSION: The Aluminum conductor and cables Plant which was purchased during the year has been installed and has commenced commercial production during the year under review.

(C) FOREIGN EXCHANGE EARNING AND OUTGO

	2005-2006	2004-2005
Foreign Exchange Outgo	1279.35 Lacs	1010.09 Lacs



- (7) **FIXED DEPOSITS** : The Company has accepted deposit of Rs.5 Lacs after complying with the provisions of Section 58A of the Companies Act, 1956 and in accordance with Direction issued by the Reserve Bank Of India
- (8) **DIRECTORS RESPONSIBILITY STATEMENT** : Pursuant to section 217 (2AA) of the Companies Act, 1956 the Board of Directors confirms that:
- (i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed;
 - (ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and the profit and Loss Account for the current financial year.
 - (iii) Proper and sufficient care has 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) The Annual Accounts have been prepared on a going concern basis.
- (9) **AUDITORS** : M/s Madhusudan C. Mashruwala & Co., Chartered Accountants, Statutory Auditors of the company hold office until the conclusion of ensuing Annual General Meeting and are recommended for reappointment. The Company has received a certificate from them that their re appointment if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.
- (10) **AUDITORS REPORT** : The notes on accounts referred to in the auditors report are self explanatory and therefore do not call any further comments.
- (11) **PARTICULARS OF THE EMPLOYEE** : The Company has not employed person drawing remuneration of Rs.24 Lacs or more per year or Rs. 2 Lacs or more per month in the financial year 2005-2006.
- (12) **AUDIT COMMITTEE** : The Provisions of Section 292 A relating to constitution of Audit Committee is not applicable to the Company.
- (13) **REMUNERATION COMMITTEE** : The company has set up remuneration committee. This committee comprises of three non executive independent Directors. The name of members as follows :
- 1. Mr. Kiran B. Agrawal : Chairman.
 - 2. Mr. N.C. Jain : Independent Director.
 - 3. Mr. Lalit Gupta : Independent Director.

This committee reviews and makes recommendations on annual salaries, performance commission, perquisites and other employment conditions of Executive Director (s).

(14) ACKNOWLEDGEMENT :

Your Directors would like to express their appreciation of the co operation received from the Labour and Staff of the Company and to valued Clients, Bankers and Shareholders for their continued support.

Place: Ahmedabad.
Date : 20.06.2006

By Order of the Board
Kiran B. Agrawal
Director



AUDITORS' REPORT TO THE SHAREHOLDERS

To,
The Members of
Palco Metals Limited
Ahmedabad.

We have audited the attached Balance Sheet of **Palco Metals Limited.**, as at 31st March, 2006 the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books;
 - (iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India'
 - (a) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2006.
 - (b) In the case of Profit & Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of Cash Flow statement of the cash flows of the Company for the year ended on that date.

FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS

AHMEDABAD
Date : 20th June, 2006

(U. M. Mashruwala)
PARTNER



**Annexure to Auditor's Report of Palco Metals Limited
Referred to in paragraph 3 of our report of even date,**

- (i) (a) The Company has maintained proper records which show full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regards to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off any fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has not granted any Secured or Unsecured loan to anyother Company firm or other party, covered in the registered maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4c (iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (b) The Company has not granted any loan to anyother Company, firm and other party, hence the provisions of clause 4 (iii)(b) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
- (c) The Company has not given any loan hence the provision of Clause 4 (iii) (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company has taken loan from one company for Rs. 1.31 crores covered in the registered maintained under section 301 of the Companies Act, 1956.
- (f) In our opinion the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- (g) The payment of principal amount and interest are regular.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) The Company has not made any transactions that need to be entered in to the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has not made any transactions with above parties which are not reasonable.
- (vi) In our opinion and according to the information and explanation given to us the Comapny has complied with the provision of Section 58A,58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rule, 1975 with regard to the deposits accepted from the public.
- (vii) The Company does not have an internal audit system.
- (viii) The provisions of Section 209(1)(d) of the Companies Act, 1956 regarding maintenace of cost records are not applicable to the Company.