

The Chairman's Letter to Shareholders

“where expansion is a journey & not a destination”

Dear Shareholders,

It gives me great pleasure to place the 12th Annual Report of the company in your hands. Please accept my greetings on behalf of the board of directors of the company.

Continuing our journey to a new millennium, we have set distinct benchmarks and goals.

The financial year 2005-06 had been a very eventful year for the company. As planned last year, expansion plan of trebling of AFC production capacities was completed well in time and without any cost overrun. Technical capabilities, financial tie-ups & strong marketing shall enable us to fulfil our promise of boosting the Company's sales & profitability. The new, state of the art manufacturing facility at Dadra, U.T. of Dadra & Nagar Haveli, is unique in India in terms of efficiency, production capacity and product diversity. The expansion project was funded by equity fund of Rs.138 million and debt fund of Rs.244 million. One million equity shares issued during the year @ Rs.115/- per share has raised the reserves and surplus of the company by a significant proportion in turn reducing the overall cost of capital drastically. This investment has also added a large quantum of fixed assets to the company's kitty.

We have taken some further decisive steps which I need to place before you. Strong domestic and export demand for the company's product needs further impetus in our production and marketing capabilities. Our company has prepared a business model to become a Global Customized Manufacturing Company. Our aim is to become a preferred supplier of all types of conceivable AFC products. The company also wants to concentrate on customer needs and arrange its production capabilities to meet such requirements. We also want to focus on high-end value-added products which are currently not available in the existing market.

It has been, therefore, decided to grow further by installing balancing equipment and investing in research and development activities. We want to design, experiment and develop various types of mould which are basic building blocks of AFC production. Although this is a time consuming process it needs to be taken up on priority basis so that the market lead which we enjoy is maintained. It will also enable us to achieve significant knowledge base in the production capabilities of AFC products and offer product variants unheard so far. We also need to go for more aggressive development of existing and covering new markets so that there is a global presence and increase in the sales which in turn would increase the profitability of the Company.

A step in this direction has already been taken by acquiring production capacities and customer base of DES, a Singapore based company for US\$1.50 million. This acquisition gives immediate customer base of South East Asian Airline market. This and other activities call for further infusion of capital fund in the business. This is again planned to be raised through both equity as well as debt fund in a judicious proportion. It is proposed to raise equity up to Rs.50 million at appropriate premium by issuing shares to Qualified Institutional Buyers under Chapter XIII A of SEBI regulation as per newly issued guidelines in this respect. Finer details are being worked out and implementation is slated to take place shortly.

The above strategy is being implemented with an aim to make the company a global leader of AFC products in terms of size, variety and quality. It will also strengthen the financial ability so that it can search for acquisition and merger in future whenever there is an opportunity. To meet the changing needs of time, the decision making process needs to be improved so that resources are utilised in the best possible manner. To this end, the company has taken a significant step by inducting professional independent directors who are expected to provide vision and guidance to the company in a dynamic and ever-changing complex business environment. The directors so appointed need to be reappointed so that their contribution can be shared by us.

Our existing healthy performance is an outcome of our passion to excel in whatever we do. To achieve this, we have highly dedicated human resources and sound technical knowledge. Our suppliers and lenders equally contribute to our growth for which we are obliged to them. The fruits of our unrelenting march to growth will be shared by all the stakeholders who have, time and again, remained with the company. Let us commit ourselves to scale new heights, surpass our own benchmarks and deliver value for money with a HUMAN TOUCH.

Thanking you and best wishes.

Amitabh Parekh

Chairman

**CONTENTS**

	<u>Page Nos.</u>
Chairman's Letter to Shareholders.....	01
Corporate Information	04
Notice.....	05
Director's Report.....	16
Auditor's Report.....	32
Balance Sheet.....	36
Profit & Loss Account.....	37
Schedule to Accounts.....	38
Cash Flow Statement for the year.....	47
Proxy Form.....	49
Nomination Form.....	51

Please bring along the copy of this Annual Report as the same will not be distributed again at the 12th Annual General Meeting

**CORPORATE INFORMATION****Board of Directors**

Mr. Amitabh Parekh	: Chairman & Managing Director
Mr. Rajendra Gothi	: Director
Mr. Kiran C. Parikh	: Director
Mr. S. Naga Raja Rao	: Director
Mr. Devanshu Desai	: Director

Audit Committee

Mr. S. Naga Raja Rao	: Chairman
Mr. Devanshu Desai	: Member
Mr. Kiran C. Parikh	: Member

Shareholders' / Investors' Grievance Committee

Mr. Rajendra Gothi	: Chairman
Mr. Kiran C. Parikh	: Member
Mr. Amitabh Parekh	: Member

Registered Office

601, Auto Commerce House,
Kennedy Bridge, Nana Chowk,
Mumbai-400 007, INDIA

Administrative Office

H-4 &5, Everest Building, 9th floor,
Tardeo, Mumbai Central,
Mumbai-400 034, INDIA
Tel. # 0091-22-23521777 / 23522777
Fax # 0091-22-23523777 / 23524777
E-mail: mepal@mtnl.net.in
Website: www.parekhaluminex.com

Bankers

Indian Overseas Bank Ltd.	Punjab National Bank Ltd.
State Bank of India Ltd.	Export-Import Bank of India Ltd.

Auditors

M/s. C.V. Pabari & Co
Chartered Accountants
B-201, Labh Ashish, Old Police Lane, Andheri (E), Mumbai-400 069, INDIA

Manufacturing Units**Unit I**

Survey No.207, Plot No.4, Near Dadra
Check Post, Village Dadra-396 191,
U.T. of D. & N.H., INDIA

Unit II

Survey No.204/1, Plot No.2, Near Dadra
Check Post, Village Dadra-396 191,
U.T. of D. & N.H., INDIA

Registrar & Share Transfer Agent :

M/s. TSR Darashaw Ltd.
Army and Navy Building, 148, M. G. Road, Fort, Mumbai-400001.
Tel. No. 00 91 22 66568484
Fax No. 00 91 22 66568494

**NOTICE**

NOTICE is hereby given that the **12th Annual General Meeting** of the members of **Parekh Aluminex Limited** will be held at W.I.A.A. Club Ltd., B. G. Kher Marg, Mumbai-400 006 on **Friday, 8th day of September, 2006 at 9.00 AM** to transact inter-alia, the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited annual accounts of the company for the year ended 31-3-2006 together with Auditor's and Directors' reports thereon.
2. To declare dividend.
3. To appoint a director in place of Mr. Rajendra Gothi, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint auditors from the conclusion of this Annual general meeting up to the conclusion of the next Annual general Meeting and authorize the audit committee of the board of directors to fix their remuneration.

SPECIAL BUSINESS:**5. Appointment of Director :**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. S. Naga Raja Rao, CA, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company."

6. Appointment of Director :

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Devanshu Desai, Advocate, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company."

7. Insertion of new clauses in the Articles of Association :

To consider and, if thought fit, to pass with or without modification(s), the following resolution as **SPECIAL RESOLUTION** to amend the Articles of Association of the company by inserting following two new clauses as Clause no. 110.4 and 110.5 respectively :



- 110.4 That any amount paid up in advance of calls on any share may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits.
- 110.5 That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

8. **Increase in the Authorised Capital**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 94(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force) and notwithstanding the resolution passed earlier in this respect, the Authorised Share Capital of the Company be and is hereby increased from Rs.70 Million (Rupees Seventy Million only) divided into 7 Million (Seven Million) equity shares of Rs.10/- (Rupees Ten only) each to Rs.120 Million (Rupees One Hundred & Twenty Million only) divided into 12 Million (Twelve Million) equity shares of Rs.10/- (Rupees Ten only) each by creation of an additional 5 Million equity shares of Rs.10/- (Rupees Ten only) for an aggregate amount of Rs.50 Million (Rupees Fifty Million only).

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board / Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise to give effect to the foregoing resolution or otherwise considered necessary by it"

9. **Alteration of Capital Clause of the Memorandum of Association**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT in accordance with the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force), the existing Clause V of the Memorandum of Association of the Company relating to Share Capital be and is hereby altered by deleting the same and substituting in its place and stead thereof the following new Clause V:

“The Share Capital of the Company is Rs.120 Million (Rupees One Hundred & Twenty Million only) divided into 12 Million (Twelve Million) equity shares of Rs.10/- (Rupees Ten only) each with such right, privileges and obligations as the Company may determine from time to time with the power to increase, reduce, consolidate, sub-divide, convert, cancel, alter or otherwise re-organize the capital and to attach thereto such preferential, differential, qualified or special rights, privileges or conditions as may be determined from time to time and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may, for the time being be permitted by the Companies Act, 1956.”

10. **Alteration of Capital Clause of the Articles of Association**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 31(1) and other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force) the existing Regulation 2.1 of the Articles of Association of the Company relating to Share Capital be and is hereby altered by deleting the same and substituting in its place and stead thereof the following new Regulation 2.1:



“The Share Capital of the Company is Rs.120 Million (Rupees One Hundred & Twenty Million) divided into 12 Million (Twelve Million) equity shares of Rs.10/- (Rupees Ten only) each with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into one or more classes and to attach thereto respectively such preferential, priority, differential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being in force, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may, for the time being as may be permitted by the Act, or provided by the Articles of Association of the Company.”

11. **Preferential Allotment of Equity Shares through “Qualified Institutions Placement (QIP)”:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force), Listing Agreements entered into by the Company with the various stock exchanges where the shares of the company are listed or to be listed, the guidelines and clarifications issued by the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other statutory/regulatory authorities and subject to all necessary approvals, consents, permissions and/or sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any one or more of them while granting any such approval, consent, permission or sanction as agreed to by the Board of Directors of the Company (hereinafter referred to as “**Board**”, which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), and in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended / modified from time to time on issue of equity shares on preferential basis through “**Qualified Institutions Placement**” under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000, the consent of the Company be and is hereby accorded to the Board to issue, offer and allot up to 5 Million (Five Million) equity shares of Rs.10/- (Rupees Ten only) each (“**Equity Shares**”), fully paid up by way of preferential allotment at a premium as per the guidelines laid down by SEBI to eligible Qualified Institutional Buyers on preferential allotment basis but in accordance with specific and relevant guidelines and regulations issued/to be issued by SEBI, Bombay Stock Exchange Ltd. and other authorities, on such terms and conditions and in such manner as the Board may think fit, and that such Equity Shares so allotted shall rank *pari passu* in all respect with the existing equity shares of the Company:

RESOLVED FURTHER THAT:

- i) the Equity Shares to be so offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- ii) the Relevant Date shall be determined as per SEBI (Disclosure & Investors Protection) Guidelines, 2000 (“**SEBI (DIP) Guidelines**”) on preferential issue in terms of Chapter XIII-A as amended up to date for the determination of applicable price;

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of Equity Shares to investors, to effect any modification to the foregoing in the best interest of the Company and its shareholders including powers to the Board to issue and allot Equity Shares to any other investors in case one or more of the investors fail to subscribe to the Equity Shares, in part or full, as the Board may think fit, and further to do all such acts, deeds, matters and



things and to finalise and execute all documents, papers, agreements, deeds and writings as may be necessary, desirable or expedient as it may deem fit."

12. Amendment to the terms & conditions of appointment of Managing Director :

To consider, and if thought fit, to pass with or without modification, the following resolution as **SPECIAL RESOLUTION:-**

"RESOLVED THAT in suppression of resolution passed earlier and in accordance with the provisions of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with schedule XIII of the said act, the company hereby approves the revision in the terms and conditions of appointment of Mr. Amitabh Parekh as the Managing Director of the company for a further period not exceeding 3 years w.e.f. 27-08-2006 on the following terms and conditions including remuneration, in accordance with the provisions of Schedule XIII of the Companies Act, 1956:-

Remuneration:

- i) Salary: Rs.3,00,000 per month in the first year with an annual increment as may be decided by the board from time to time subject to the conditions and limits laid down in Schedule XIII.
- ii) Perquisite:
 - (a) Accommodation: The company may provide unfurnished accommodation, hiring charges of which shall be subject to a ceiling of 50% of salary. In addition, company may incur expenditure on gas, electricity, water and furnishings.
 - (b) Medical: Reimbursement of expenses actually incurred for self and family, subject to a ceiling of one month's salary per annum.
 - (c) Leave: As per the rules of the company.
 - (d) Leave Travel Concession: for self and family, once in a year in accordance with the rules of the company.
 - (e) Club Fees: Membership fees for two clubs. This will not include admission and life membership fee.
 - (f) Car & Telephone: Provision of one AC fitted car with driver and telephone at residence.
 - (g) Contribution to Provident Fund / Superannuation Fund / Gratuity: As per the rules of the company.

All the perquisites shall be valued as per the Income Tax Rules, 1962, wherever applicable. In other cases it will be valued at cost to the company.

Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year during the currency of tenure of Mr. Amitabh Parekh, he will be entitled to receive the above remuneration as the minimum remuneration as permissible under Section 269 read with Section II of Part II of Schedule XIII of the Companies Act, 1956.

Mr. Amitabh Parekh shall also be entitled to reimbursement of all expenses actually and properly incurred by him in connection with the company's business.



RESOLVED FURTHER THAT the board of directors shall have power to vary and alter the terms and conditions of the said appointment, including remuneration payable to Mr. Amitabh Parekh within the over all limits laid down in Schedule XIII to the Companies Act, 1956 as modified from time to time.

RESOLVED FURTHER THAT in the event of any modification or amendments in the Schedule XIII to the Companies Act, 1956 as may be made by the central Government hereinafter, the board of directors be and is hereby authorised to vary or increase or decrease the remuneration and perquisites within such revised prescribed limit”.

13. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an ORDINARY RESOLUTION:

“ RESOLVED THAT the consent of the company be and is hereby accorded, under Section 293(1)(d) and other applicable provisions, of the Companies Act, 1956 (“The Act”) (including any statutory modification or re-enactment thereof, for the time being in force), and the Articles of Association of the company, to the Board of Directors of the Company (“the Board”) to borrow any sum(s) of monies from time to time, where the monies to be borrowed, together with the monies already borrowed by the company (apart from the temporary loans obtained or to be obtained from the company’s bankers in the ordinary course of business) may exceed at any time the aggregate of the paid up capital of the company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed Rs.3000 million (Rupees Three Thousand Million) and that the board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such money borrowed / to be borrowed, from time to time, in respect of rate of interest, repayment period, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to this resolution.”

By Order of the Board
For **PAREKH ALUMINEX LIMITED**

Amitabh Parekh
Chairman & Managing Director

Registered Office:
601, Auto Commerce House,
Kennedy Bridge, Nana Chowk,
Mumbai-400 007, INDIA

Mumbai, 30th June, 2006

NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES 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 ANNUAL GENERAL MEETING.**



2. An Explanatory Statement pursuant to Section 173(2) of the Companies act, 1956 setting out material facts in respect of Special Business specified in para 5 to 12 is annexed hereto.
3. Profiles of Directors being appointed / reappointed as required under Clause 49 of the listing agreement is provided in the explanatory statement related to relevant resolutions.
4. The members are requested to notify any change in their addresses to the company immediately. Members are further requested to notify the company the name of their bankers, branch and account number for the safety of their Dividend Warrant in transit. In all correspondence with the company or it's Registrar, members should invariably quote their Register Folio Number / DP ID-Client ID No. for prompt action.
5. Register of Members and Share Transfer Register will remain closed from 2nd September, 2006 to 8th September, 2006 (both days inclusive) for the purpose of payment of dividend, if declared at the annual general meeting.
6. The dividend on shares as recommended by the board of directors , if declared at the meeting will be paid:
 - (a) in respect of shares held in demat form on the basis of beneficial ownership as per details furnished by the depositories as at the end of the business hours on 1st September, 2006
 - (b) in respect of shares held in physical form to those members whose names appear in the Register of members of the company as at the end of the business hours on 1st September, 2006
7. Consequent to introduction of Section 109A of the Companies act, 1956, members are entitled to make Nomination in respect of equity shares held by them in physical form. Members desirous of making nomination are requested to submit the Nomination Form (2B) enclosed with this Notice as per instructions mentioned therein.
8. Company's shares have compulsorily gone in for dematerialisation since March, 2001. Hence, those members who want to opt for dematerialisation are requested to follow the procedure prescribed in this respect.
9. Members holding shares in electronic form may please note that their bank account details as furnished by the respective Depositories to the company will be printed on dividend warrant / cheque / DD as per the applicable regulations of the Depositories and the company will not entertain any direct request from such members for deletion of / change in such bank account details.
10. Members who desire to get dividend being directly credited to their bank account are requested to submit Mandate Form (please use form enclosed with Notice for this purpose) duly filled-in together with supporting documents to the Registrar & share Transfer Agents.
11. Members seeking any information / clarification on accounts are requested to write to the company at an early date to enable the management to keep the information ready.
12. Members / Proxies should bring the attendance slip duly filled in for attending the meeting. They should invariably write their Folio No. / DP Identity No. and Client Identity No. in such slip.
13. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.



14. Re-appointment of Directors

At the ensuing Annual General Meeting, Mr. Rajendra Gothi retires by rotation and being eligible, offers himself for re-appointment. Pursuant to Clause 49 of the Listing Agreement, the particulars of the aforesaid director are given below:

Particulars of Director seeking re-election:

Name of the Director	:	Mr. Rajendra Gothi
Date of Birth	:	11-07-1961
Ed. Qualification	:	B. Com
Other Directorship	:	None
Member of the Committee	:	Investors Grievance and Share Transfer Committee (Member)

Mr. Rajendra Gothi is a businessman with more than 23 years business experience to his credit. He has been associated with the company since 1995. His managerial experience and guidance with respect to business growth and expansion has significantly helped the company since inception. It is, therefore, in the interest of the company to avail his services as a member of the board.

None of the director of the company except Mr. Rajendra Gothi may be considered to be concerned or interested in the said resolution.

Explanatory Statement U/s. 173(2) of the Companies Act, 1956.

The Explanatory Statement in respect of Special Business specified in para 5 to 12 of the accompanying Notice set out here-in-above is as under:

Item 5

Appointment of Mr. S. Naga Raja Rao

Mr. S. Naga Raja Rao was appointed as an Additional Director by the board pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office up to the date of the forthcoming Annual General Meetings. Mr. S. Naga Raja Rao, aged 40 years is Chartered Accountant as well as Cost Accountant. He has professional experience of more than 15 years as a practicing chartered accountant. His core competency is corporate finance, merchant banking, capital market, accounting and financial analysis. He was taken as an additional director by the board to enhance its decision making ability. He has been inducted in the Audit Committee as its Chairman to improve committee performance and meet enhanced regulatory requirement of Corporate Governance.

Notice in writing has been received from a member of the company along with the prescribed deposit under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. S. Naga Raja Rao as a candidate for the office of Director.

The directors recommend the Resolution for Member's approval.

No director other than Mr. S. Naga Raja Rao is concerned / interested in this resolution.

Item 6

Appointment of Mr. Devanshu Desai