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23rd
ANNUAL
REPORT
2005-06

PRADEEP METALS LIMITED

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PRADEEP METALS LIMITED

BOARD OF DIRECTORS

Pradeep Goyal
Chairman & Managing Director

R. D. Shroff

O. P. Agarwal

R. K. Agarwal

Dinesh Parekh

Dr. V. Gopinathan

Suresh Vaidya

COMPANY SECRETARY

Abhinay Kapoor

BANKERS

Union Bank of India

AUDITORS

S. R. Rege & Co.
Chartered Accountants

REGISTERED OFFICE & WORKS

R-205, TTC Indl. Area, MIDC
Rabale, Navi Mumbai 400 701
Maharashtra

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF **PRADEEP METALS LIMITED** will be held at the Registered Office at R-205, TTC Industrial Area, MIDC, Rabale, Navi Mumbai 400 701 on Friday, 29th September, 2006 at 4:00 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date.
2. To appoint Shri R.D. Shroff, Director who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Shri Dinesh Parekh, Director who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board of Directors
For PRADEEP METALS LTD.

Navi Mumbai
June 24, 2006

ABHINAY KAPOOR
COMPANY SECRETARY

REGISTERED OFFICE:
Pradeep Metals Ltd.
R-205, TTC Industrial Area,
MIDC, Rabale, Navi Mumbai 400 701.

Notes:

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

(b) Members are requested to intimate any change in their address to the Registrar and Transfer Agents of the Company, Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078 immediately.

(c) Members who hold shares in identical order of names in more than one Folio are requested to write to the Company to enable consolidation of their holdings in one Folio.

(d) Members are requested to intimate to the Company, details, if any, required in relation to this Annual Report atleast 7 (seven) days before the meeting to enable the Management to keep the information ready at the meeting.

(e) All documents referred to in the accompanying Notice and Explanatory Statement, are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m to 1.00 p.m. upto the date of the Annual General Meeting except on Sundays and other holidays.

(f) Members/Proxies are requested to bring their copy of the Annual Report to the meeting.

(g) The Company's Equity Shares are the scripts which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors.

(h) The Reigster of Members & Transfer Books of the Company in respect of Equity Shares will remain closed from 22nd September, 2006 to 29th September, 2006 (Both days inclusive)

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Item Nos. 2 & 3

Details of the Directors seeking reappointment in Annual General Meeting to be held on 29th September, 2006

Name of the Director	Shri R.D. Shroff	Shri Dinesh Parekh
Date of Birth	20.10.1933	18.01.1945
Date of Appointment	31.12.1993	30.04.2003
Expertise in Specific functional area	Industrialist	Business Executive and Management Expert
Qualification	B.Sc.,SCMP (Business Management, Harward)	B.Sc, M.B.A. from USA
List of outside Directorships held	United Phosphorus Ltd. Uniphos Enterprises Ltd. Enviro Technology Ltd. Bharuch Enviro Infrastructure Ltd. Nivi Trading Ltd. Agrinet Solutions Ltd. Uniphos Agro Industries Ltd. Shroffs United Chemicals Ltd. Vapi Effluent and Waste Management Co. Ltd. Search Enviro Ltd. Demuric Holdings Pvt. Ltd. Vyom Finvest Pvt. Ltd. Sanguine Holdings Pvt. Ltd. Uniphos Seeds & Biogenetic Pvt. Ltd.	Nil
Chairman/Member of the Committee of the Board of Directors of the Company	Member, Audit Committee	Chairman, Audit Committee Member, Shareholders'/ Investors' Grievance Committee
Chairman/Member of the Committee of Directors of other companies:- a) Audit Committee	Nil	Nil
b) Shareholders / Investors' Grievance Committee	Nil	Nil
c) Remuneration Committee	Nil	Nil
d) Share Transfer Committee	Nil	Nil

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DIRECTORS' REPORT

To,
The Shareholders

Your Directors are pleased to present the Twenty Third Annual Report together with the audited accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS :

	2005-06	2004-05
	(Rs. in Lacs)	
Profit before Interest, Depreciation, and Tax	**495.01**	400.81
Less : Interest	**226.67**	149.92
Profit before Depreciation and Tax	**268.34**	250.89
Less: Depreciation	**116.24**	105.47
Preliminary expenses written off	**0.21**	0.21
Profit before Tax	**151.89**	145.21
Add: Exceptional Items	**-**	839.15
Profit before Tax	**151.89**	984.36
Less: Tax	**-**	-
Profit for the year	**151.89**	984.36

DIVIDEND :

In view of the past losses and need to conserve resources for future growth, your Directors do not recommend payment of any dividend.

PERFORMANCE :

The Company has significantly improved its' turnover to Rs. 4643.30 lacs during the year as compared to Rs. 3550.50 lacs in the previous year registering an increase of 31%. The profit before interest, depreciation and tax has gone up by 24%. However, the cash accruals have only increased to Rs. 268.34 lacs as compared to cash accruals of Rs. 250.89 lacs during the previous year due to higher interest cost in view of rising interest rates.

Your Directors are happy to inform you that in view of positive net worth of the Company as on 31st March, 2005, the Board for Industrial and Financial Reconstruction, vide its Order dated 17th November, 2005, has discharged the Company from the purview of Sick Industrial Companies (Special Provisions) Act, 1985.

EXPORTS :

During the year, exports of the Company were valued at Rs. 2292.34 lacs as compared to Rs. 1785.63 lacs in the previous year showing an increase of 28% . This has been achieved mainly due to higher value added products. Your company hopes to sustain its exports performance in the coming years.

QUALITY :

Your company's focus on maintaining high level of quality consciousness is evident from its continued certification as an ISO 9001-2000 and Pressure Equipment Directive 97/23/EC(PED) approved manufacturing unit. Your company makes concerted efforts for constant improvement in quality of its products.

Your Company has added few more machines for precision machining of forged products and also enhanced its die making capability. These measures will further improve the quality of finished components.

DEPOSITS:

The Company has not accepted any loans or deposits from the public in terms of Section 58A of the Companies Act, 1956 and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES :

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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HUMAN RESOURCE DEVELOPMENT :

The company continuously carries out Training and Development programmes for the benefit of the employees. The process for updating technical skills of employees and developing good work culture on the shop floor is ongoing regularly.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, are set out in the Annexure A and form part of this Report.

CORPORATE GOVERNANCE:

In compliance with the recommendations of Securities Exchange Board of India on Corporate Governance Report and the listing agreement of the Stock Exchange, a separate report on Corporate Governance and Management Discussion and Analysis giving details of the Company's business and operating results is annexed as Annexure B.

CHAIRMAN – EMERITUS

The Company was promoted by Mr. Vedprakash Goyal, Chartered Engineer who was the main person behind the promotion and responsible for the growth and development of the Company since 1982. Mr. Vedprakash Goyal has put great efforts for development of the activities of the Company and bought the company to present heights. In order to keep Mr. Vedprkash Goyal involved in the strategic planning and future growth prospects of the Company and to continue to get his blessings, the Board appointed him as Chairman Emeritus of the Company.

DIRECTORS :

Shri Pradeep Goyal, Chairman & Managing Director of the Company has been reappointed as such w.e.f. 17th December, 2005 for a further period of 5 years with the same terms and conditions as before. Further, on the recommendation of the Remuneration Committee, his salary has been increased for 3 years and the terms and conditions of his appointment as Chairman & Managing Director have been varied w.e.f. 1st June, 2006. The same has been approved by the shareholders of the company in the Extra-ordinary General Meeting held on 24th June, 2006.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri R.D. Shroff and Shri Dinesh T Parekh, Directors of the Company, retire by rotation in the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

Shri Arvind Varma who was earlier appointed as a Special Director by the BIFR has since been discharged by the BIFR vide their Order dated 17th November, 2005.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms:

a. that in the preparation of the Annual Accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

b. that the Directors have 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 as on 31st March, 2006 and of the profit or loss of the Company for the year ended on that date;

c. that the Directors have taken proper and sufficient care 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; and

d. that the Directors have prepared the Annual Accounts on a going concern basis.

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AUDITORS :

The observations made in the Auditors' Report are to be read with the Notes to Accounts, which are self-explanatory and no further comments are necessary under Section 217(3) of the Companies, Act, 1956.

M/s. S. R. Rege & Co., Chartered Accountants, retire at the conclusion of the 23rd Annual General Meeting and, being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT :

Your Directors wish to express their gratitude for the assistance and co-operation received from Industrial Development Bank of India, Union Bank of India, Maharashtra State Electricity Board, Maharashtra Industrial Development Corporation, Navi Mumbai Municipal Corporation and other government and semi-government authorities, corporations and institutions.

The Directors also thank all the shareholders and investors for reposing continued confidence in the Company.

Your Directors also wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company and their unstinted efforts for the progress of the Company.

By Order of the Board of Directors

PRADEEP GOYAL
CHAIRMAN & MANAGING DIRECTOR

June 24, 2006

REGISTERED OFFICE :
Pradeep Metals Ltd.
R – 205, T.T.C. Industrial Area
M.I.D.C., Rabale, Navi Mumbai – 400 701.

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ANNEXURE A

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956

1. **CONSERVATION OF ENERGY :**

The Company continuously introduces new methods to conserve energy. The unit consumption of fuel has improved during the year. An energy efficient conservair system has been installed which has reduced the air leakages in the system and brought down the power cost from 849 units/Mt to 834 units/Mt.

The power factor is at 0.99 which is considered very good and the Company is getting rebate in power bills for the same.

2. **TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION :**

A. Power & Fuel Consumption :

	31/03/2006	31/03/2005
1. Electricity		
a. Purchased (Unit Nos.)	**2,969,986**	2,521,837
Total amount (Rs.)	**13,078,975**	10,431,530
Average rate (Rs./unit)	**4.40**	4.14
b. Own generation	**N.A**	N.A
2. Furnace Oil		
Quantity (Ltrs.)	**691,080**	628,000
Total amount (Rs.)	**12,811,734**	8,711,157
Average rate (Rs./Ltr.)	**18.54**	13.87
3. Light Diesel Oil (LDO)		
Quantity (Ltrs.)	**210,560**	282,480
Total amount (Rs.)	**5,833,728**	6,416,950
Average rate (Rs./Ltr.)	**27.71**	22.72

B. Consumption per unit of Production :

Quantity (Mt)	**3563**	2972
Electricity Unit/Mt	**834**	849
Furnace Oil Ltrs./Mt	**194**	211
LDO Ltrs./Mt	**59**	95

C. TECHNOLOGY ABSORPTION :

1. **Research & Development :**
The Company is constantly improving the design of dies and trim tools to reduce raw material consumption and achieve better quality.
2. **Benefits derived :**
Improvement in productivity and quality.
3. **Future Plans :**
CNC lathes have been installed and commenced production to enable the company to supply high value added products.
4. **Expenditure on Research & Development :**
Since Research & Development is carried out in-house, as a part of ongoing manufacturing operations, the expenditure is not separately accounted for and the same is debited to the respective accounts.
5. **Technology Absorption, Adoption and Innovation :**
Continuous improvements in the manufacturing process, wherever feasible, and focus on development of intricate precision forgings for export, form part of the ongoing operations of the Company.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total foreign exchange used and earned:
Used : Rs. 17,746,128.00
Earned : Rs. 2,29,234,230.00

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ANNEXURE B

CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance for the year ended 31, March 2006 as required under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd:

1. **Company's philosophy on corporate governance.**

Pradeep Metals Limited (PML) is committed to the highest standards of corporate governance in all its endeavors. PML believes in corporate governance as a necessary culture for achieving superior performance and its core being transparency, accountability, equity and openness in the working of the management and the board.

2. **Board of Directors**

In terms of the Company's corporate governance policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibilities of supervision, control and direction of the Company.

(A) **Composition of Board**

The Board of Directors consists of Executive and Non-Executive Directors. The total number of Directors of the Company is SEVEN, including the Managing Director.

The following is the composition of the Board of Directors as on 31 March, 2006.

Name of Director	Category Promoters, Executive, Non-Executive, Independent	No. of Board Meetings attended	Last AGM attended	No. of Directorships held in Other Companies		Committee Membership(s) of Other Companies	
				Public	Private	Member	Chairman
Pradeep Goyal	Promoter, Chairman & Managing Director	5	Yes	5	2	3	3
Omprakash Agarwal	Non-Executive, Independent	4	Yes	Nil	2	Nil	Nil
R. D. Shroff	Non-Executive, Independent	Nil	No	10	5	Nil	Nil
R. K. Agarwal	Non-Executive, Independent	2	No	4	5	Nil	Nil
Dinesh T Parekh	Non-Executive, Independent	5	Yes	Nil	Nil	Nil	Nil
Suresh Vaidya*	Non-Executive, Independent	4	Yes	1	Nil	Nil	Nil
V. Gopinathan*	Non-Executive, Independent	3	Yes	Nil	Nil	Nil	Nil
Arvind Varma**	Spl. Director (BIFR)	2	No	-	-	-	-

* Appointed as Directors w.e.f. 24th June, 2005.

** Shri Arvind Varma has been discharged as Special Director by BIFR vide its Order dated 17th November, 2005.

B) **Meetings**

During the financial year 2005 – 2006, five meetings of the Board were held on 23rd April, 2005, 24th June, 2005, 5th August, 2005, 17th October, 2005 and 17th January, 2006.

(C) **Code of Conduct**

The Board has laid down a code of conduct which binds all the Board members and senior management of the Company.

3. **Committees of the Board**

The Board has constituted three committees viz, Audit Committee, Shareholders'/Investors' Grievances Committee and Remuneration Committee

i) **Audit Committee**

The Company has set up an Audit Committee in accordance with the requirements of Section 292A of the Companies Act, 1956 and the terms of reference are in conformity with the revised Clause 49 of the Listing Agreement entered into with the Stock Exchange.

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The broad terms of reference of the Audit Committee include reviewing of financial statements before submission to the Board, reviewing the report of internal audit, reviewing accounting and financial policies and procedures,financial reporting systems, internal control procedures and risk management policies. In addition, the powers and role of the Audit Committee are as laid down under clause 49 II C & D of the Listing Agreement and section 292 A of the Companies Act, 1956.

The Committee met four times during the financial year on 24th June, 2005, 5th August, 2005, 17th October, 2005 and 17th January, 2006.

The Audit Committee consists of the following Directors as on 31st March 2006:

Sr.No	Name of Director	Executive, Non-Executive, Independent	No. of Meetings attended
1	Dinesh T Parekh	Chairman, Non-Executive, Independent	4
2	R. D. Shroff	Member, Non Executive, Independent	Nil
3	R.K. Agarwal	Member, Non Executive, Independent	2
4	Suresh Vaidya	Member, Non Executive, Independent	4
5	Arvind Varma*	Member, Non Executive, Independent, Spl. Director (BIFR)	2

* Shri Arvind Varma has been discharged as a Special Director by BIFR vide its Order dated 17th November, 2005.

All the members of the audit committee are independent and non-executive Directors. They possess adequate knowledge of Accounts, Audit, and Finance etc.

There is no subsidiary company.

ii) **Shareholders'/Investors' Grievances Committee**

Pursuant to Clause 49 of the Listing Agreement, the Company has formed a Shareholders'/Investors' Grievances Committee of the Board of Directors.

The Committee oversees redressal of shareholder and investor grievances like transfer of shares, non-receipt of Balance Sheet or dividends and approves the sub-division, transmission or issue of duplicate shares, etc. The Committee overviews the steps to be taken for further value addition in the quality of service to the investors.

The Committee consists of the following Directors:

Sr. No.	Name of Director	Position	No of Meetings attended
1	R.K. Agarwal	Chairman	2
2	Dinesh T Parekh	Member	4
3	O.P. Agarwal	Member	3
4	Dr. V. Gopinathan	Member	3

During the year, the Company received 11 complaints, which were resolved within 30 days to the satisfaction of the Shareholders/Investors. As on 31st March, 2006, no complaints were pending.

iii) **Remuneration Committee**

The Board of Directors of the Company at its meeting held on 17th October, 2005 has constituted a Remuneration Committee to consider and approve the remuneration to be paid to the Directors.

The Committee consists of following Directors:

Sr.No	Name of Director	Position	No of Meetings attended
1	O.P. Agarwal	Chairman	1
2	R.K. Agarwal	Member	Nil
3	Suresh Vaidya	Member	1

During the financial year 2005-06, the Company paid remuneration to its Directors as per the details given below:

Name of Director	Remuneration (in Rs.)	Remarks
Pradeep Goyal Chairman & Managing Director	582,393	Salary & perquisites
Dr. V. Gopinathan Director	3,30,600	Professional fees towards technical services

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