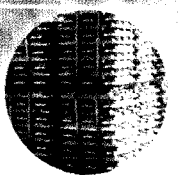
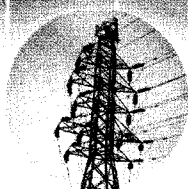
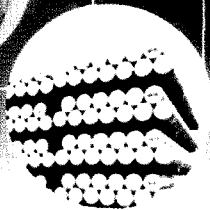
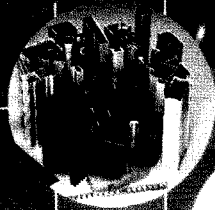
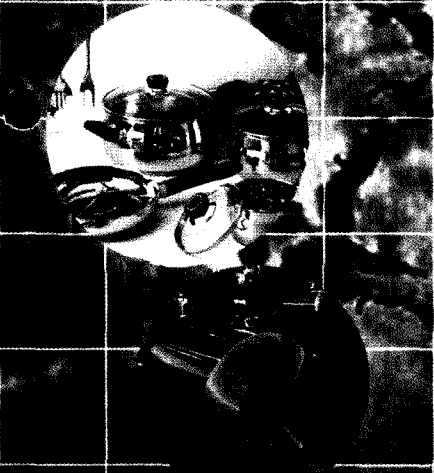
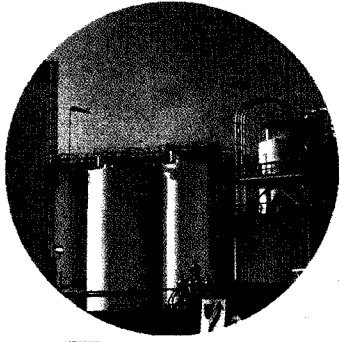


A Rising Sun on Metal World

45th

Annual Report



Palco Metals Limited

www.palcometals.com



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.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty, wealth tax, service tax, excise duty, cess and other material statutory dues applicable to it.
- (ix) (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, Service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-3-2006 for a period of more than six months from the date they became payable.
- (ix) (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanation given to us we are of the opinion that the Company has not defaulted in repayment of dues to banks.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4
- (xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clauses 4
- (xiv) of the Order are not applicable to the Company.
- (xv) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loan.
- (xvii) No funds has been raised on Short Term basis and no long term investment has been made from it.
- (xviii) The Company has not issued any shares hence there is no preferential allotment.
- (xix) The Company has not issued any debenture.
- (xx) The Company has not raised money from public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS**

**AHMEDABAD
Date : 20th June, 2006**

**(U. M. Mashruwala)
PARTNER**



**PALCO METALS LIMITED, AHMEDABAD
BALANCE SHEET AS AT 31 ST MARCH, 2006**

LIABILITIES	SCHEDULE	AS AT 31.03.2006 RS. Thousand	Rs.	AS AT 31.03.2005 RS. Thousand	Rs.
SOURCES OF FUNDS :-					
SHARE HOLDERS' FUNDS :-					
Share Capital	A	20000		10000	
Preference Share Capital	A	30000		10000	
Reserve & Surplus	B	<u>35091</u>		<u>18227</u>	
			85091		38227
LOAN FUNDS :-					
Secured Loans	C	52044		25839	
Unsecured Loans	D	<u>1674</u>		<u>17514</u>	
			53718		43353
Deferred Tax Liability			628		1214
	TOTAL		<u><u>139437</u></u>		<u><u>82794</u></u>
APPLICATION OF FUNDS :-					
FIXED ASSETS :-					
Gross Block	E	82598		38873	
Less : Depreciation		<u>15135</u>	67463	<u>12293</u>	26580
CURRENT ASSETS, LOANS & ADVANCES :-					
Inventories	F	50000		16394	
Sundry Debtors	G	38057		46337	
Cash & Bank Balance	H	2656		3219	
Loans & Advances	I	<u>10158</u>		<u>4601</u>	
		100871		70551	
Less : CURRENT LIABILITIES AND PROVISIONS :					
Current Liabilities	J	25223		13529	
Provisions	K	<u>4090</u>		<u>808</u>	
		29313		14337	



Net Current Assets	71558	56214
Miscellaneous Expenditure (to the extent not written off)		
Preliminary expense	416	
Total	<u>139437</u>	<u>82794</u>

Notes forming part of the Accounts Schedule "S"
As per our report of even date attached herewith

FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS
U. M. Mashruwala
PARTNER

PLACE : AHMEDABAD
DATE : 20-06-2006

FOR PALCO METALS LIMITED
Kiran B. Agrawal, Director
Kaniyalal B. Agrawal, Director

PLACE : AHMEDABAD
DATE : 20-06-2006



PALCO METALS LIMITED, AHMEDABAD
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2006

PARTICULARS	SCHEDULE	2005-2006 RS.Thousand	Rs.	2004-2005 RS.Thousand	
INCOME :					
Sales & Other Income	L		384049	263010	
Increase / (Decrease)in stock	M		<u>21921</u>	<u>3081</u>	
	TOTAL INCOME		405970	266091	
EXPENDITURE :					
Purchase for Trading	N		4861	0	
Raw & Other Materials	O		351628	237069	
Manufacturing Expenses	P		22543	14994	
Administrative & Sales Exps.	Q		7911	4684	
Financial & Similar Exps.	R		7805	4423	
Preliminary Exp. W/o.			<u>104</u>	<u>0</u>	
	TOTAL EXPENDITURE		394852	261170	
Profit before Depre. & Taxation			11118	4921	
Depreciation	E	2842		2357	
Less : Amount transferred from					
Revaluation Reserve		<u>554</u>	2288	<u>555</u>	1802
Net Profit before Tax			8830	3119'	
Less : Provision for Taxation		2400		235	
Deferred Tax		(586)		1150	
Frienge Benefit Tax		<u>49</u>	1863	<u>0</u>	1385
Profit for the year			6967	1734	
Balance as per last Balance Sheet			10197	8463	
Balance carried to Balance Sheet			17164	10197	
Basic and diluted earnings per share (in Rs.) (Schedule S. Note 12)			3.48	0.87	

Notes forming part of the Accounts Schedule "S"
As per our separate report of even date attached herewith

FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS
U. M. Mashruwala
PARTNER

FOR PALCO METALS LIMITED
Kiran B. Agrawal, Director
Kaniyalal B. Agrawal, Director

PLACE : AHMEDABAD
DATE : 20-06-2006

PLACE : AHMEDABAD
DATE : 20-06-2006

PALCO METALS LIMITED, AHMEDABAD
SCHEDULE ATTACHED TO AND FORMATING PART OF BALANCE SHEET AS ON 31.03.2006

PARTICULARS	As on 31.03.2006 Rs. Thousand	As on 31.03..2005 Rs. Thousand
SCHEDULE : A		
SHARE CAPITAL		
Authorised :		
70,00,000 Equity Shares of Rs. 10/- each (Prev.Year : 10,00,000 Equity Shares of Rs.10/- each)	70000	10000
30,00,000 8.50% Non- Cumulative Redeemable Preference Shares of Rs. 10/- each (Prev.Year : 10,00,000 8.5% Non Cumulative Redeemable Preference Shares of Rs.10/- each)	30000	10000
	<u>100000</u>	<u>20000</u>
Issued, Subscribed and paid up :		
20,00,000 Equity Shares of Rs. 10/- each (Prev.Year : 10,00,000 Equity Shares of Rs.10/- each)	20000	10000
10,00,000 8.50% Non- Cumulative Redeemable Preference Shares of Rs. 10/- each (Prev.Year : 10,00,000 8.5% Non Cumulative Redeemable Preference Shares of Rs.10/- each)	10000	10000
Share Application Money for 8.50% Non- cumulative Redeemable Preference Shares of Rs.10/- each	20000	
	<u>50000</u>	<u>20000</u>

NOTE : (Of the above 10,00,000/- Equity Shares fully paid up have been issued as bonus shares by Capitalization of General Reserve of Rs. 7.47 lakhs and Profit & Loss Account profit of Rs.92.53 lakhs)

SCHEDULE : B
RESERVES & SURPLUS

General Reserve		
Balance as per last Year	747	
Less : capitalized for issue of bonus shares	<u>747</u>	
		0
Share Capital Reserve		747
Revaluation Reserve :		3
Balance as per Last Year	7281	8647

Add : Addition during the year	20450			
Less : Adjustment in respect of Fixed Assets sold	—		775	
Less : Transfer to Profit and Loss Account	<u>554</u>	27177	<u>591</u>	7281
Balance in Profit & Loss Account	17164			10197
Less : Capitalized for issue of bonus Shares	<u>9253</u>	7911		
		<u>35091</u>		<u>18228</u>

**Schedule : C
SECURED LOANS**

Loan From Bank

From State Bank of Saurashtra	52044	25839
-------------------------------	-------	-------

**Schedule : D
UNSECURED LOANS**

Loan from Companies	1174	14597
Loan from Others	500	2917
Total	<u>1674</u>	<u>17514</u>

**SCHEDULE - "E"
FIXED ASSETS**

DESCRIPTION	Opening Balance	Addition during the year	Deduction during the year	TOTAL	Depricia- tion upto 31-3-2005	Deduction during the year	Depricia- tion for the year	Total Deprecia- tion	Net Block as on 31-3-2006	Net Block as on 31-03-2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Air Conditioner	39959	42800		82759	12171		9735	21906	60853	27788
Air Cooler	6600			6600	2915		513	3428	3172	3685
Company's Own Dies	8726667			8726667	3581766		715656	4297422	4429245	5144901
Computer	264424	80870		345294	193884		35226	229110	116184	70540
Electric Installation	2899125	2845539		5744664	940407		412392	1352799	4391865	1958718
Factory Building	6126068	5080834		11206902	2430738		395591	2826329	8380573	3695330
Fax Machine	12700			12700	7671		700	8371	4329	5029
Furniture & Fixture	237792	48688		286480	195161		9677	204838	81642	42631
Good Will	17000			17000	0		0	0	17000	17000
Laboratory Equipments	139567			139567	109020		3159	112179	27388	30547
Lease Hold Land	6909073	20450927		27360000	0		0	0	27390000	6909073
Office Building	1093879			1093879	672277		21080	693357	400522	421602
Plant & Machinery	12299304	15174901		27474205	4059039		1234771	5293810	22180395	8240265
Vehicle	101401			101401	88038		3460	91498	9903	13363
TOTAL	38873559	43724559	0	82598118	12293087	0	2841960	15135047	67463071	26580472
Previous Year Rs.	32133315	12921444	6181200	38873559	14466448	4530976	2357615	12293087	26580472	17666867

Schedule : F

INVENTORIES : (As taken valued & certified by the management)

Raw Materials (Al, Man.)	18462	6908
Stores (Coal, Furnace Oil, Packing Item)	543	411
Work in Progress	519	268
Finished Goods	30476	8807
	<u>50000</u>	<u>16394</u>

Schedule : G

Sundry Debtors (Considered Good)

Outstanding for less than 6 months	35147	46253
Outstanding for more than 6 months	2910	84
	<u>38057</u>	<u>46337</u>

Schedule : H

CASH & BANK BALANCES

Bank of Baroda (FD)	1	1
Cash on Hand	261	238
Cheques on Hand	0	1700
State Bank of Saurashtra Fixed Deposit (Including interest accrued thereon)	2264	1224
Bank balances with Schedule Banks in Current Accounts	130	56
	<u>2656</u>	<u>3219</u>

Schedule : I

LOANS & ADVANCES

Deposits with Other Firms	546	244
Staff Loan	815	433
Advance Income Tax & TDS	1216	385
Other Advance Tax	140	0
Employees Gratuity Trust Fund	9	269
Balance with Excise Department	6818	1356
Other Advances	577	1902
Prepaid Expenses	37	12
	<u>10158</u>	<u>4601</u>

Schedule : J

CURRENT LIABILITIES

Sundry Creditors for Goods & Exps.	24006	13195
Sundry Creditors for Capital Exps.	967	0
Advance received from Customers (Buss. Adv.)	250	334
	<u>25223</u>	<u>13529</u>

**Schedule : K****PROVISIONS**

Provision for Expenses		1690		573
Provision for Taxation		2400		235
		<u>4090</u>		<u>808</u>

Schedule : L**SALES & OTHER INCOME**

Sales	324050		217321	
Add : Excise On Sale	<u>51797</u>	375847	<u>34384</u>	251705
Sales (Service)		8050		8927
Commission		0		1600
Other Income		152		299
Profit in Sale of Machinery		0		479
TOTAL		<u>384049</u>		<u>263010</u>

INCREASE / (DECREASE) IN STOCK**(As valued and certified by the Management)**

Opening Stock :

Finished Goods	8807		4529	
Work in Process	268		484	
Trading Material (Ferr Boron)	<u>0</u>	<u>9075</u>	<u>981</u>	<u>5994</u>

Less : Closing Stock

Finished Goods	30477		8807	
Work in Process	<u>519</u>	<u>30996</u>	<u>268</u>	<u>9075</u>
		<u>21921</u>		<u>3081</u>

Schedule : N**PURCHASE FOR TRADING**

Aluminium,		4861		0
		<u>4861</u>		<u>0</u>

Schedule : O**RAW MATERIAL**

Consumption of Aluminium,				
Opeing Stock	6908		2898	
Purchases during the year	<u>363182</u>	370090	<u>241079</u>	243977
Less : Closing Stock		<u>18462</u>		<u>6908</u>
		<u>351628</u>		<u>237069</u>

**Schedule : P****MANUFACTURING EXPENSES**

Power & Fuel	9416	4915
Freight & Octroi	2899	2731
Sales & Other Taxes	3711	4154
Packing & Forwarding Exp.	1007	492
Production & Factory Expenses	3567	1330
Jobwork Expenses	1943	1372
TOTAL	<u>22543</u>	<u>14994</u>

Schedule : Q**ADMINISTRATIVE, SALES & PERSONNEL EXPENSES**

Salaries & wages	2767	1882
Contribution to P.F. & Other Fund	105	120
Workers & Staff Welfare Exp.	0	1
Postage, Telephone & Telegram	193	207
Land, Office, Goddown Rent & Taxes	25	21
Legal and Professional charges	186	371
Advertisement	43	15
Travelling & Conveyance	144	110
Travelling (Foreign)	372	284
Office & Miscellaneous Exps.	287	275
Donation Exp	0	2
Repair & Maintenance		
Others	10	11
Commission, Sales & Distri. Exp..	3464	794
Insurance Exps.	315	361
Bad Debts	0	230
TOTAL	<u>7911</u>	<u>4684</u>

Schedule : R**FINANCE CHARGES**

Bank Charges	983	368
Interest Paid	<u>6822</u>	<u>4055</u>
TOTAL	<u>7805</u>	<u>4423</u>

SCHEDULE : "S"

ACCOUNTING POLICIES AND NOTES FORMING PARTS OF THE ACCOUNTS

A) Significant Accounting Policies :-

1) Accounting Concepts :-

The accounts are prepared on the historical cost basis adjusted by revaluation of fixed assets and on the accounting principles of a going concern.

2) Sales : Sales are shown after deducting business kasar vatav and goods return.

3) Research and Development :- The expense incurred on research and development during the year is written off to revenue expenses during the same year.

4) Fixed Assets : Fixed Assets are stated at their original cost and adjusted by revaluation of fixed assets after deducting depreciation. The value of goodwill is shown at cost price.

5) Depreciation : Depreciation is provided on written down value method as per Section 205(2) of the Companies Act, 1956 at the rates and in the manner prescribed in Schedule XIV of the Companies Act. Depreciation on increase in value of fixed assets due to revaluation is computed on the basis of remaining useful life as estimated by the valuer on straight line method.

6) (a) Finished Stock and work in process is valued at cost or estimated value whichever is less. (b) Raw Material, Stores, and loose tools are valued at cost.

7) Foreign Currency Transactions : All foreign Currency Transactions have been accounted at the rate prevailing on the date of transaction. All outstanding foreign currency transactions are valued at the appropriate exchange rate at the close of the financial year. The loss or gain due to fluctuations of exchange rates is charged to Profit and Loss Account.

8) Taxes on Income : Current tax is determined on the basis of the amount of tax payable on taxable income for the year. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(B) NOTES ON ACCOUNTS :

1) Plant and Machinery, Electric Installation, Laboratory equipments and Furniture and fixtures and leasehold land, Factory and office building were revalued as on 1996-1997. During the year Lease hold land has been revalued. As a result the Gross value of fixed assets includes revaluation amount of Rs. 2,04,50,927/- which was transferred to revaluation reserve. Depreciation for the year includes Rs. 5,53,820/- [Previous Year Rs. 5,55,294/-] being depreciation on the increased amount of assets due to revaluation and an equivalent amount has been transferred from Revaluation Reserve to the Profit and Loss Account.

2) Sundry Debtors, Loans and advances and Sundry Creditors are subject to confirmation; necessary adjustments if any will be made in the accounts on receipt of the same.

3) Payment to Auditors :-

	2005-2006	2004-2005
Audit Fees	13,000	13,000
For Taxation Work	5,500	5,500

4) The previous year figures have been regrouped and rearranged wherever necessary.

- 5) **License Capacity** :- Not Applicable
- 6) Foreign Travelling Expenses (Directors) Rs. 3,72,473/- (Previous Year Rs. 2,84,434/-).
- 7) **Foreign Exchange Expenditure** : Foreign Travelling Rs. 3,72,473/-
CIF value of imports Raw Material Import Rs. 12,79,35,112/-
- 8) Provision for gratuity has not been made as there is no gratuity Liability for the current year.
- 9) Remuneration to Directors Rs. 1,80,000 (Previous Year Rs. 1,80,000)
- 10) **Quantity Details :- 2005-2006**

(a) **Finished Products Details :-**

		Opening Stock		Production		Sales		Closing Stock	
		Quantity	Rs. ('000)	Quantity	Rs. ('000)	Quantity	Rs. ('000)	Quantity	Rs. ('000)
			8807 (4529)				383935 (260945)		30476 (8807)
Alu. Casting	Nos.	10478 (22007)		4336		4280		10534 (10478)	
ALU. CABLES									
- PVC Cables	Mtrs.			554		275		279	
- PVC Sub Cables	Mtrs.			1681		1010		671	
- Alu. Conductor	Kgs.			1720		120		1600	
ALU. ALLOYS									
- Alu. Alloys		---		38443		38443			
- Alu. Ingots		54200 (27538)		442020.5 (512486)		431193.5 (485824)		65027 (54200)	
ALU. DEOXIDANTS									
- Alu. Shots	Kgs.	0 (900)		2049 (29655)		2049 (30555)		0 (0)	
- Alu. Cubes	Kgs.	0 (0)		200 (462)		200 (462)		0 (0)	
- Alu. Notchbar	Kgs.	2200 (17625)		28557 (907075)		30200 (922500)		557 (2200)	
- Alu. Wire Rods	Kgs.	30764 (0)		2634541 (659316)		2451763 (6285520)		213542 (30764)	
FERRO ALLOY.									
- Ferro Alu.	Kgs.	9200 (47)		60050 (0)		69250 (0)		0 (9200)	
- Ferro Niobium	Kgs.	0 (0)		1986 (0)		1986 (0)		0 (0)	

Note :- Previous year figures are shown in bracket.

(b) Raw Material Consumption Detail :

	2005-2006		2004-2005	
	Rs. (in `000)	Kgs.	Rs. (in `000)	Kgs.
Alluminium	299347	54,48,713	217235	40,37,966
Copper	--	--	31	334
Iron & Ferrous	181	19,115	1031	88,335
Coal, Oil, Lime (KG/LIT) Silico				
Man.Store Waste Paper,etc.	302	10,000	5122	1,09,370

(c) Raw Material Purchase details :

	2005-2006		2004-2005	
	Rs. (in `000)	Kgs.	Rs. (in `000)	Kgs.
Indigenous	101120	28	140069	58
Imported	262062	72	101009	42
Total Pur.	363182	100	241078	100

11) Deferred Tax :

Particular	2005-2006		2004-2005	
		Rs. (in `000)		Rs. (in `000)
Deferred Tax Liability on account of Fixed Assets excess net block Over written down value as per the provisions of the Income Tax Act, 1961		628		1214
	Total : A	628	Total : A	1214
Deferred Tax Assets :	Total : B	NIL	Total : B	NIL
Deferred Tax Liability	Total (A+B)	628	Total (A+B)	1214

12) Related Party Disclosures :

Related Party Disclosures as required by Accounting Standard 18 on "Related Party Disclosures" are given below :-

A) List of Related Parties :-

Associates Krishna Capital & Securities Ltd.

B) The following transactions were carried out with the related parties in the ordinary course of business

	2005-2006	2004-2005
	Rs. (in `000)	Rs. (in `000)
(1) Intercompany loans taken during the year	13,150	7,100
(2) Interest expense on intercompany loans taken	1,838	1,507

13) Earning Per Share (EPS) : as per Accounting standard 20

The numerators and denominators used to calculate Basic and Diluted Earnings per share :

		Year ended	
		31-3-2006	31-3-2005
(A) Profit attributable to the Equity Share holders	Rs.	6,967	1,734
(B) Basic/weighted average number of Equity Shares	Nos.	20,00,000	20,00,000
(C) Nominal value of Equity Shares	Rs.	10.00	10.00
(D) Basic/Diluted Earnings Per Share (A/B)	Rs.	3.48	0.87



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(C) ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

1. REGISTRATION DETAILS :

Registration No.	998
State Code	04
Balance Sheet date	31-3-2006

2. CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN THOUSAND)

Public Issue	Nil	Right Issue	Nil
Private placement	Nil	Bonus Issue	10,000

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN THOUSANDS)

Total Liabilities	1,39,437	Total assets	1,39,437
-------------------	----------	--------------	----------

SOURCES OF FUNDS

Paid up capital	50,000
Reserve and Surplus	35,091
Secured Loans	52,044
Unsecured Loans	1,674
Deferred Tax Liability	628

APPLICATION OF FUNDS

Net Fixed assets	67,463
Investments	—
Net Current Assets	71,558
Misc. expenditure	416
Accumulated losses	---

4. PERFORMANCE OF THE COMPANY (AMOUNT IN RUPEES THOUSANDS)

Turnover (incl. other income)	3,84,049	Total expenditure	3,75,219
Profit before tax	8,830	Profit after tax	6,967
Earning per share (Rs.)	3.48	Dividend Rate (%)	Nil

5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

PRODUCT DESCRIPTION

MANUFACTURING OF ALUMINIUM ALLOYS/SHOT/CUBES/NOTCHBAR/INGOTS/POWDER/FERRO ALLOYS/WIRE RODS/CONDUCTORS/CABLES.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31-3-06 RS. (in '000)	For the year ended 31-3-05 RS. (in '000)
A. Cash Flow from Operating Activities :		
Net Profit before Tax	8,830	3,119
Adjustment for :		
Depreciation	2,288	1,802
Interest	6,822	4,055
Bad Debts W/o	—	230
Profit in Sale of Assets	—	(479)
Preliminary Expenses	104	—
	<hr/>	<hr/>
	18,044	8,727
Operating profit before working Capital changes :		
Decrease/(Increase) in Sundry Debtors	8,480	(5,526)
Decrease/(Increase) in Inventories	(33,606)	(7,267)
Decrease/(Increase) in Loans and Advances	(4,557)	(298)
Increase/(Decrease) in Current Liabilities	12,357	618
Inventories capitalised	—	—
	<hr/>	<hr/>
	718	(3,746)
Cash Inflow/[outflow] from Operations :		
Interest Paid	(6,822)	(4,055)
Direct Taxes Paid	(1,030)	(201)
Preliminary Exps. paid	(520)	—
	<hr/>	<hr/>
Net Cash Inflow/[Outflow] from Operating Activities (a)	(7,654)	(8,002)
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(23,274)	(10,163)
	<hr/>	<hr/>
Net Cash Flow/[outflow] from Investing Activities (b)	(23,274)	(10,163)
C. Cash Flow from Financing Activities		
Sale of Fixed Assets	—	1,319
Long Term Borrowings	26,205	11,748
Short Term Borrowings	(15,840)	6,258
Increase in Share Capital	20,000	—
	<hr/>	<hr/>
Net Cash Inflow/[outflow] from Financing Activities (c)	30,365	19,325
	=====	=====
Net Increase/(Decrease) in Cash & Cash Equivalent (a+b+c)	(563)	1,160
Add : Cash and Cash equivalents of at beginning of the year	3,219	2,059
Cash and Cash equivalents as at end of the year	2,656	3,219

Notes :

1. The Cash Flow has been prepared under the Indirect Method as set out in Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants fo India.
2. Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.

As per our report of even date attached herewith.

FOR MADHUSUDAN C. MASHRUWALA & CO.
CHARTERED ACCOUNTANTS
U. M. Mashruwala
PARTNER

FOR PALCO METALS LIMITED ·
Kiran B. Agrawal, Director
Kaniyalal B. Agrawal, Director

PLACE : AHMEDABAD
DATE : 20-06-2006

PLACE : AHMEDABAD
DATE : 20-06-2006



ATTENDANCE SLIP
Palco Metals Limited

Regd. Office : 604/B, Sahjanand Shopping Centre, Shahibaug Road, Ahmedabad - 380004.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND IT OVER AT THE ENTRANCE OF THE MEETING HALL Joint Shareholders may obtain additional Attendance Slip on request (Reg. Code No. & Name of the Shareholder / Joint holders / Proxy & address as given on the envelop in BLOCK LETTERS to be furnished below)

Shareholder :	Reg. Code	No. of
---------------	-----------	--------

Proxy	No. Shares held
-------	-----------------

I hereby record my presence at the 44th Annual General Meeting of the Company on the 25th August, 2006 at 11.00 A.M.

SIGNATURE OF THE
 SHAREHOLDER OR ROXY _____

NOTES :

- (1) Shareholder/Proxy holder are requested to bring the Attendance Slip with them when he come to the meeting and hand it over at the gate after affixing their signature on it.
- (2) This meeting is only for members or their proxies. Please therefore do not bring any person who is not a member or a proxy in the meeting.

FROM OF PROXY

Palco Metals Limited

Regd. Office : 604/B, Sahjanand Shopping Centre, Shahibaug Road, Ahmedabad - 380004.
 (Reg. Code No. & Name of the Shareholder / Joint holders / Proxy & address as given on the envelop in BLOCK LETTERS to be furnished below)

Reg. Code No.	No. of Shares hold

I/We _____ of _____ being a member
 of **PALCO METALS LIMITED**
 hereby appoint

_____ of _____ or failing him
 _____ of _____ my/our

Proxy to vote for me/us and on my/our behalf at the 45th Annual general Meeting of the company to be held on 25th August, 2006 at 11.00 A.M. and at any As witness my/our hand(S) THIS DAY OF 2006

Signed by the said _____

Note : The proxy from must be returned so as to reach the Registered office of the Company latest by 25th August, 2006

Affix a Re. 1/- Revenue Stamp



BOOK POST
(Printed Matter)

To, _____

Palco Metals Limited



Regd. Office : 604/B, Sahjanand Shopping Centre, Shahibaug Road, Ahmedabad - 380004 Ph. : 079- 55258206, 25624296
e-mail : kbpalco@dataone.in / info@palcometals.com, www.palcometals.com