



**FACOR STEELS LIMITED**

**6TH ANNUAL REPORT 2008-2009**



**CORPORATE INFORMATION****Board of Directors****Narayandas Saraf**

Chairman &amp; Whole-time Director

**M.D. Saraf**

Vice Chairman &amp; Managing Director

**Vinod Saraf**

Managing Director

**Anurag Saraf**

Joint Managing Director

**A.S. Kapre****M.B. Thaker****Arye Berest****P.K.S. Nair**

Nominee of Bank of India

**P.K. Kukde****Vibhu Bakhru****Ashim Saraf**

Alternate Director to Mr. Arye Berest

**Amit G. Pandey**

Company Secretary

**Executives****R.V. Dalvi**

Director (Technical)

**C.V. Raghavan**

Chief Finance Officer

**S.C. Parija**

Executive Vice-President

**Bankers**

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner &amp; Jaipur

Indian Overseas Bank

**Solicitors**

Mulla &amp; Mulla and Craige Blunt &amp; Caroe

**Auditors**

Salve &amp; Co.

Chartered Accountants

**Internal Auditor**

M. M. Jain

Chartered Accountant

**Registrar & Share Transfer Agent**

(for Both Physical &amp; Electronic)

**Link Intime India Pvt. Ltd.**

C-13 Pannalal Silk Mills

Compound, LBS Marg,

Bhandup (W),

MUMBAI – 400 078

Phone No. 022-2596 3838

Fax No. 022-2594 6969

E-mail: mumbai@linkintime.co.in

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## NOTICE TO MEMBERS

Notice is hereby given that the SIXTH ANNUAL GENERAL MEETING of the Members of the Company will be held at the Registered Office of the Company at 46 A & B, MIDC, Industrial Estate, Hingna Road, Nagpur- 440 028 on Tuesday, the 15th of September, 2009 at 12.15 P.M to transact, with or without modification as may be permissible, the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. N. D. Saraf, who retires from Office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. M. B. Thaker, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Arye Berest, who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass the following resolution which will be proposed as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve And Company, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors."

### SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:  
  
"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the re-appointment of Mr. Vinod Saraf as Managing Director of the Company for a period of 5 years with effect from 1st August, 2009 upon the

terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved and with a liberty to the directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Vinod Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

### NOTES:

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No. 6 of the Notice set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. Members / Proxies are requested to bring their Attendance Slip sent herewith, duly filled in, for attending the meeting.
4. 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.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 10th September, 2009 to Tuesday, the 15th September, 2009, both days inclusive.
6. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
7. **Change of address or other particulars:**  
  
Members are requested to inform their Change of address (with PIN CODE), Nominations in respect of their shareholding, Bank Details, Mandate instructions, Electronic Clearing Service (ECS) mandates as also any changes in the above (under the signature of the registered holder(s) of shares) etc. to:-

- The Registrar and Share Transfer Agent (RTA) of the Company in respect of shares held in physical form; and
  - The Depository Participants in respect of shares held in electronic form.
8. Shareholders intending to require information on the accounts at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting to facilitate ready response.
9. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
10. Non-resident Shareholders are requested to inform the change in their residential status on return to India as also the details of their bank account in India to:
- The Registrar and Share Transfer Agent (RTA) of the Company in respect of shares held in physical form; and
  - The Depository Participants in respect of shares held in electronic form.
11. The draft of the agreement referred to in Item no. 6 of the accompanying notice is open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

**Registered Office:**

46 A & B, MIDC, Industrial Estate,  
Hingna Road,  
Nagpur – 440028  
Dated : 27th July, 2009

By Order of the Board,

Amit Pandey  
Company Secretary

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## ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956:

### Item No. 6

Mr. Vinod Saraf has been associated with the Company as its Managing Director since 2004. His knowledge and experience in commercial operations and administration has contributed significantly towards the growth and development of the Company. Therefore, it is desirable that he continues as Managing Director of the Company.

Accordingly, the Board of Directors of the Company re-appointed Mr. Vinod Saraf as Managing Director for a period of 5 years w.e.f. 1st August, 2009 subject to your approval.

The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act as contained in the draft Agreement are as follows:

- a. Basic Salary Rs 90,000/- per month in the scale of Rs 90,000 – 5,000 – 1,00,000/-
- b. Perquisites and Allowances:

In addition to the aforesaid salary, the Managing Director shall also be eligible to the perquisites and allowances as given hereunder;

The perquisites and allowances payable to the Managing Director will include dearness and other allowances, accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof: reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family, leave travel concession at actual for self and his family, club fees, medical insurance and such other perquisites within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules there under [including any statutory modification[s] or re-enactment thereof, for the time being in force]. In the absence of any such rules, perquisites and allowances shall be evaluated at the actuals. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per rules of the Company, shall not be included in the computation of limits for the remuneration. Further the Company shall provide car for use on company's business and telephone at residence for official purpose. Provision of a car for use on company's business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Managing Director.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The Managing Director shall be eligible for increment, as per the basic scale, at the start of every financial year with the first increment falling due on 1st of April, 2010.

The remuneration payable to the Managing Director by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the ceiling limit of Rs 18,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites and allowances payable to the Managing Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs 18,00,000/- per annum as specified above.

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director, the company has no profits or its profits are inadequate, then also he shall be paid salary allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

None of the directors except Mr. Vinod Saraf is interested in this resolution

The Particulars set out above may be treated as an abstract of the draft Agreement between the said Managing Director and the Company pursuant to Section 302 of the Companies Act, 1956.

The Draft Agreement between the Company and Mr. Vinod Saraf is available for inspection by the Members of the Company at the Registered Office between 11 a.m. to 1 p.m. on any working day upto and inclusive of the date of the Annual General Meeting.

Accordingly the resolution in Item No. 6 of the accompanying Notice is commended for your approval.

### Registered Office:

46 A & B, MIDC, Industrial Estate,  
Hingna Road,  
Nagpur – 440028  
Dated : 27th July, 2009

By Order of the Board,

Amit Pandey  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **SIXTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2009.

### FINANCIAL RESULTS:

	For the year ended 31.3.2009 (Rs in lacs)	For the year ended 31.3.2008 (Rs in lacs)
Gross Profit / (Loss)	(42.85)	763.93
Depreciation / Amortization	371.08	329.47
Adjustments relating to earlier years	6.93	95.19
	(420.86)	339.27
Provision /(Credit) for MAT/ FBT/ DEF. TAX	106.52	62.55
Profit/(Loss) after tax for the year	(527.38)	276.72

### OVERALL PERFORMANCE:

Your company registered higher growth during the first two quarters of the financial year 2008-2009. However, the last two quarters of the financial year 2008-2009 had been one of the worst recessionary periods all across the globe and your company also got adversely affected by it. During this period the production level of the company declined significantly due to lack of demand and liquidity in the market. There was a sharp increase in finished inventory of the company coupled with significant decline in the value of the product, which resulted in reduction in order position of the company considerably. Increase in the interest rates further burdened the company with additional cost of holding the finished inventory. Your company adopted several cost cutting measures to minimize the losses during this tough times. However, In spite of all the efforts of the management, your company ended the year with a net loss of Rs.527.38 lacs as compared to a net profit of Rs.276.72 lacs during the previous year 2007-2008. The turnover of the company also declined significantly to Rs.37154.26 lacs as compared to Rs.47783.24 lacs of previous year. Your Company is hopeful that with the revival of the domestic and world economy, it will be able to reset itself in the path of growth.

### DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2008-2009.

### PROSPECTS:

The Special steel industry's performance was good during the first half of the financial year 2008-2009 however, during the last two quarters, demand supply situation changed drastically as a result of significant and sudden slow down in world economy. The financial crises of the American and European economy further resulted into lack of trust in the world market and contraction of money flow in the markets. Indian economy was also affected by this financial turmoil of the western countries, which resulted in slowdown of the Indian

economy during this quarter. The market sentiments were badly affected and Special steel industry also faced the impact of the same. The demand for steel went down drastically by 30-40% during the period October-December 2008. Since the second half of FY2008-09, the special and alloy steel, in particular, has suffered from low capacity utilization and falling prices of products.

The period upto September 2008 of the last fiscal witnessed normal capacity utilisation and most of the steel mills reported good performances inspite of huge hike in raw materials like sponge iron, scrap, ferro alloys etc. Your company also reported good performance and higher capacity utilisation of 90% with sales turn over of Rs.260.54 Crores during this period. But due to slow down in the subsequent period, overall sales turnover declined by 22.1% due to various reasons like drop in export business in last two quarters, loss of stainless business, comparatively less carbon and alloy steel order and less conversion job work especially in the October – December 2008 period and also less capacity utilization of the plant which had dropped to 44% and 41% respectively in the third and fourth quarter.

In spite of the slowdown in the economy, your company has gone ahead with the modernization of its existing steel melting facilities for improving quality by installing equipments like Automatic Mould Level Control in June 2008 (AMLC) and the installation of Mould EMS in first week of June 2009. This modernization will lead to better internal soundness and better surface finish in steel manufactured by the company. It will also enable the company to have better yield and lower the variable cost of the product manufactured by the company. In the month of July 2009 your company successfully completed the commissioning of open die forging plant. With this facility your company will be able to cater to new industrial segment like heavy duty gear, rolling mill rolls, sugar mills, wind mills, cement industry and Nuclear power sector in longer run. It will reduce company's dependence on auto & auto component sector and ensure increased production of value added products with a sustainable business in the coming years. Additional capacity of 1000MT per month from forging unit will widen the company's product range and improve realization per MT. Your company is also trying to increase the orders of carbon and alloy steel grades by increasing its customer base.

The current Fiscal of 2009-10 started with a positive note with slight improvement in demand from auto sector. The order booking position during the month of April-May 2009 was also encouraging for your company. The capacity utilization of the rolling mill has also increased during the period due to increased conversion job work level. Government measures like reduction of excise duty, 5% import duty on selected steel items, increased spending in project related work, promotion of stainless steel utilization in railways, project clearance for several massive Nuclear power plants etc., has created positive trend in the industry and the industry is expected to recover to the post October 2008 level by second quarter of FY 2009-2010.

**FINANCE:**

The Company has not accepted any fixed deposit from the public during the year under review. During the year your company received USD 2.94 million as External Commercial Borrowing (ECB) from Israel Discount Bank, London under both automatic route and approval route as permitted by the Reserve Bank of India. The Company has utilized the money availed under ECB for funding the forge round bar project and for modernization of its steel melting shop.

**COST AUDITOR:**

The Directors have appointed Mr. Shridhar K. Phatak, a Practicing Cost Accountant, as Cost Auditor for the financial year 2009-10 for the Company's Mini Steel Plant at Nagpur for which Central Government's approval has also been obtained.

**INDUSTRIAL RELATIONS:**

The overall industrial relations in the Company were cordial during the year.

**DIRECTORS:**

Mr. N.D. Saraf, Mr. M. B. Thaker and Mr. Arye Berest, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election.

The Company has formulated a Code of Conduct for all members of the Board and Senior Management Personnel. All concerned Board members / executives have affirmed compliance with the said Code.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 217 (2AA) of Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures.
- ii) they 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 at the end of the financial year and of the profit of the Company for that period;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) annual accounts have been prepared on a going concern basis.

**AUDIT COMMITTEE:**

The Audit Committee formed by the Board of Directors of the Company consists of Mr. A.S. Kapre, Mr. M. B. Thaker, who are Non-Executive Independent Directors of the Company, and Mr. Vinod Saraf who is Managing Director. Mr. A.S. Kapre is its Chairman. The Committee's role, terms of reference and the authority and powers are in conformity

with the requirements of the Companies Act 1956 and the Listing Agreement.

**AUDITORS:**

You are requested to appoint Auditors for the current year and to fix their remuneration. M/s Salve & Company, Chartered Accountants hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received the requisite Certificate pursuant to Section 224 (1B) of the Companies Act 1956 regarding their eligibility for reappointment as Auditors of the Company.

**AUDITOR'S REPORT:**

With reference to the comments made by the Auditor in his Report, the Directors wish to state that the relevant notes forming part of the Company's Accounts are self-explanatory and hence do not require any further explanation from the Board.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

**PARTICULARS OF EMPLOYEES:**

During the year under review there were no employees receiving remuneration of or in excess of Rs.24,00,000/- per annum or Rs.2,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing agreement with the Stock Exchange, a Management Discussion and Analysis Report, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

**ACKNOWLEDGEMENT AND APPRECIATION:**

Your Directors place on record their gratitude for the support and cooperation received from Central and State Governments, Financial Institutions & Banks, Customers, Suppliers and Shareholders for their continued support. The Board also expresses its sincere and special appreciation to the dedicated and committed team of employees and workmen of the company who have wholeheartedly supported the management of the company, particularly during the recessionary period and have willingly co-operated in all cost cutting measures undertaken by the company.

On behalf of Board of Directors,

Nagpur  
Dated: 27th July, 2009

N.D.SARAF  
CHAIRMAN & WHOLETIME DIRECTOR

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

**A. CONSERVATION OF ENERGY:**

- a) Measures taken : i) Improvement brought in tempering and spheroidised annealing to reduce consumption in tool grades like O1, H11, H13.  
ii) Spindle Oil Consumption was further reduced by installing a pumping system to feed lubrication points.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy. : NIL
- c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods. : It is expected that the above measures may result in reduced energy consumption and reduction in cost of production.
- d) Total energy consumption and energy consumption per unit of production in prescribed form 'A'. : As per Form A attached

**B. TECHNOLOGY ABSORPTION:****Research and development:**

- a. Specific areas in which R & D carried out by the Company. : NIL
- b. Benefits derived as a result of above R & D. : NOT APPLICABLE
- c. Future plan of action : NIL
- d. Expenditure on Research & Development. : NIL
- e. Technology absorption, adaptation and innovation :  
i) Efforts, in brief, made towards Technology absorption, adaptation and innovation. : Not Applicable  
ii) Benefits derived as a result of above efforts. : Not Applicable  
iii) Information regarding technology imported during the last five years. : No technology has been imported during last five years.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- 1) Activities relating to exports initiatives taken to increase exports, development of new exports markets for products and services and export plans. : New grades were developed for foreign customers to establish niche export markets. The Directors and Executives do undertake foreign tours to keep abreast of the latest developments in technology and to develop new export market, establish contacts with overseas parties, renew relationship with customers and to study export potential.

- 2) Total Foreign Exchange used and earned (2008-2009):

**(Rs. in Lacs)**

i) CIF value of imports	<b>2550.95</b>
Expenditure in Foreign Currency	<b>86.16</b>
ii) Foreign Exchange earned	<b>6497.95</b>

On behalf of Board of Directors,

Nagpur  
Dated: 27th July, 2009

N.D.SARAF  
CHAIRMAN & WHOLETIME DIRECTOR



## FORM 'A'

## FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

PARTICULARS	STEEL	
	CURRENT YEAR 2008-2009	PREVIOUS YEAR 2007-2008
<b>A. POWER AND FUEL CONSUMPTION:</b>		
1. ELECTRICITY		
a) Purchased		
Units (KWH in lacs)	447.63	563.08
Total Amount (Rs. in Lacs)	1932.57	2408.98
Average rate per unit (Rs.)	4.31	4.28
b) Own generation		
i) Through Diesel Generator		
Units (KWH)	—	—
Units per ltr. of diesel oil	—	—
Cost/unit (Rs.)	—	—
ii) Through Steam Turbine/Generator		
Units	—	—
Units per ltr. of fuel oil/gas	—	—
Cost/unit (Rs.)	—	—
2. Coal (specify quality)	—	—
3. Furnace Oil		
Quantity (K. Liter)	2825.94	3849.72
Total cost (Rs. in Lacs)	795.61	800.19
Average Rate (Rs./K. Liters)	28153.73	20785.72
4. Others/Internal Generation	—	—
<b>B. CONSUMPTION PER UNIT OF PRODUCTION:</b>		
ELECTRICITY (KWH per tonne)		
Rolled Products	1160.000	1018.000
FURNACE OIL (K. Liter per tonne)		
Rolled Products	0.066	0.059
Coal (Specify quality)	—	—
Others (Specify)	—	—

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

Indian special steel industry has enough potential to grow even though the last 6-8 months have been extremely tough for the industry due to global melt down. The Fluctuating raw material prices and recessionary condition prevailing in developed countries like USA, Japan, EU etc. has affected the export sector significantly. The trend of demand supply has completely changed across the globe due to slow down in economy of most of the countries and realisation remained a worry for all steel mills as steel prices crashed by over 40-50 % compared to the early quarter of 2008 due to severe competition amongst them. Falling demand, increasing inventory, delayed payment and falling prices of steel had became the feature of the steel industry in the second half of the year. Original Equipment Manufacturers (OEM) are also putting pressure on steel Mills for reducing prices citing slow down and fall in prices of raw materials.

Several governmental measures like imposition of import duty on steel, reduction of excise duty, increased spending on infrastructure, promotion of stainless steel in Railway coaches and wagons, Metro Rail projects, airports, setting up of various defence projects and increased allocation for Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme etc. have created a positive sentiment in the market.

Your company has also undertaken various measures for better utilisation of the production capacity and reduction in cost of production. Further there is severe competition between producers of special steel to grab the orders getting released due to slight improvement in demand. Your company has decided to increase its customer base in non auto sector and also increase its share in more of value added products. More number of new grades have been developed during the year and with the commissioning of the forging plant in July 2009 the product and size range of your company has increase further.

The present growth of GDP of the country of 5% to 6% is likely to continue during the financial year 2009-10 and the production of steel is expected to gradually pick up. Faced with steep fall in demand, most of the steel mills including your company had curtailed production by opting for 5 Day/ lesser no. of Working days starting from November'08 which has brought down operating costs and also other expenses. Out processing work of forging and proof machining of critical tool steel were also carried out for meeting the customer commitment given earlier. In 2008-09 automobile industry grew by 2.96%, only due to steep fall in demand during the last two quarters and auto component industry by 6 % which is also low when compared to the performance of last year. With the improvement in the market conditions these sectors are likely to register better growth resulting into more demand for steel products.

During the year your company has successfully implemented the oracle based ERP system in the company to improve data availability and better efficiency in all operations. It has also received IS/TS 16949 certification on 12/09/2008 (in addition to the existing IS 9001-2000 certification) which is a well known quality Management system with special focus on continual improvement having stress on effective analysis of data to drive improvement throughout the organization. ISO /TS certification will enable your company to increase supplies to automobile sector which is acceptable to the European and US automobile industries alike.

Your company has also got approval from TUV Nor Systems GmbH & Co. KG for PED for more critical grades like F12, F22, 410, 420, B16, T-91 etc., which will enable your company to increase its share in alloy and stainless steel business.

### FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

#### OPERATIONAL PERFORMANCE:

YEAR	STEEL MELTING SHOP PRODUCTION (GROSS) (M.T)	ROLLING MILL SHOP PRODUCTION (GROSS) (M.T)	TOTAL SALE	
			QUANTITY	VALUE (Rs. In Lacs)
2008-09	39279	42519**	37545	36510.70*
2007-08	55249	65781**	51219	46912.01*

\* Includes value of by-product sale

\*\* Includes conversion job work

#### FINANCIAL PERFORMANCE:

	(Rs. In Lacs)	
	2008-2009	2007-2008
Total Income	37154.26	47783.24
EBIDT	945.16	1548.45
Interest	988.01	784.52
Depreciation	371.08	329.47
Adjustments relating to earlier years	6.93	95.19
PBT	(420.86)	339.27
MAT/FTB/Deferred Tax	106.52	62.55
PAT	(527.38)	276.72
EPS	(0.26)	0.13

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilization of resources, and effective monitoring thereof and compliance with all applicable resources. Internal Audit of the company