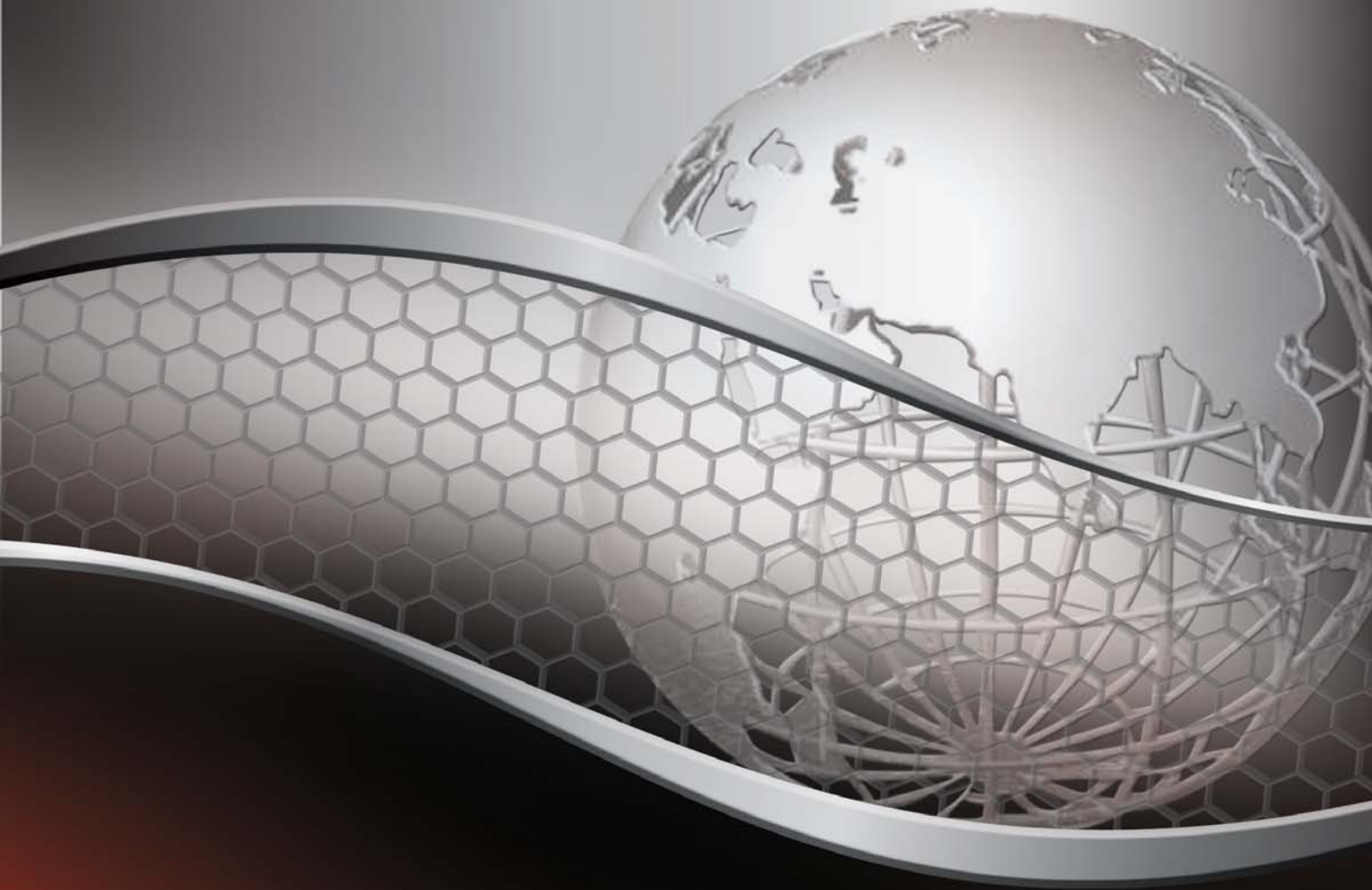


EIGHTH ANNUAL REPORT 2010-2011



FACOR STEELS LIMITED

युक्तः कर्मफलं त्यक्त्वा शान्तिमाप्नोति नैष्ठिकीम्।

अयुक्तः कामकारेण फले सक्तो निबध्यते॥

The Karmayogi who can disregard the fruits of his labour finds peace and is united with the Divine, whereas the one who remains greedy for the results of his activities is entangled and fails to reach Divinity

Chapter 5, verse 12 of the Srimad Bhagawat Gita



Shri Durgaprasadji Saraf

25th September, 1911 – 25th July, 1988

“*A Karmayogi Whose Shining Spirit
Still Guides Us*”

Homage to our beloved founder on his birth centenary

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

Chairman & Whole-time Director

M.D. Saraf

Vice Chairman & Managing Director

Vinod Saraf

Managing Director

Anurag Saraf

Joint Managing Director

A.S. Kapre**M.B. Thaker****Arye Berest****P.K. Kukde****Vibhu Bakhru****G.L.N. Sastry**

(Ceased w.e.f. 30.06.2011)

Nominee of Bank of India

Amit G. PandeyGeneral Manager (Legal) &
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 & Jaipur

Indian Overseas Bank

Solicitors

Mulla & Mulla and Craige Blunt & Caroe

Auditors

Salve & Co.

Chartered Accountants

Internal Auditor

M. M. Jain & Associates

Chartered Accountants

Registrar & Share Transfer Agent

(for Both Physical & 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 EIGHTH 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 Thursday the 15th of September, 2011 at 12.30 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 2011 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. Anurag 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 a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 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 appointment of Mr. N. D. Saraf as Whole-Time Director of the Company for a period of 5 years with effect from 1-5-2011 upon the terms and condi-

tions as to remuneration and otherwise as set out in the agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which agreement, the broad details of which are given in the explanatory statement in this item of the notice, is hereby specifically approved with the liberty to the directors to vary the terms and conditions of the remuneration and appointment and/or the agreement in such manner as may be agreed to between the directors and Mr. N. D. Saraf in the best interest of the Company, within the limitations in that behalf as contained in the Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law."

7. 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, 310 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. Anurag Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 2011 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. Anurag 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 & 7 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. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 10th September, 2011 to Thursday, 15th September, 2011 both days inclusive.
4. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Link Intime India Private Limited, (Unit: FACOR Steels Limited) C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup(W), Mumbai-400 078, Maharashtra in respect of their physical share holding, if any. While intimating change of address to Depositories and Registrar and Share Transfer Agents please indicate your client ID No./Folio No., as may be applicable. The address should be complete with Pin Code No.
5. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No. 2B duly filled in and signed to the above Registrar & Transfer Agents. The Form can be had from the Share Department at the Registered Office of the Company at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur – 440 028
6. Shareholders intending to require information about accounts and operations of the company, to be explained at the meeting, are requested to furnish the queries to the Company Secretary at least 10(ten) days in advance of the Annual General Meeting so that the same could be complied in time.
7. 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.
8. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No., allotted to the Company by them in respect of Equity Shares is INE 829G01011.
9. Non-resident Indian Members are requested to inform the Registrar and Transfer Agents of the Company their Depository particulars about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
10. All documents referred-to in the accompanying notice are 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.
11. The Ministry of Corporate Affairs (MCA) has vide its circular nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively, undertaken a "Green Initiative in Corporate Governance" and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/ updating their email addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Registrar and Transfer Agent of the Company i.e. Link Intime India Private Limited.

Registered Office:

By Order Of The Board

46 A & B, MIDC, Industrial Estate,

Hingna Road,

Amit Pandey

Nagpur – 440028

Company Secretary

Dated: 29th July, 2011**ANNEXURE TO THE NOTICE**

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

Item No. 6

The Board of Directors at its meeting held on 20th of April, 2011 re-appointed Mr. N. D. Saraf as Whole-time Director with effect from 1st May, 2011 for a period of 5 years, subject to approval of the members of the Company. The Remuneration Committee has also approved the terms and conditions including remuneration payable to Mr. N. D. Saraf as Whole-time Director for a period of 5 years w.e.f. 1st May, 2011, subject to approval of the members.

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

- a. Basic Salary Rs 95,000/- per month in the scale of Rs 75,000 – 5,000 – 1,00,000/-
- b. Perquisites and Allowances:

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

The perquisites and allowances payable to the Whole-time 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 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 Whole-time Director.

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

The Whole-time 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, 2012.

The remuneration payable to the Whole-time 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 Whole-time 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 Whole-time 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. M. D. Saraf who is brother of Mr. N.D. Saraf and Mr. N. D. Saraf, whose appointment is being considered, be deemed to be concerned or interested in the this resolution.

In compliance with the requirements of Section 302(2) of the Companies Act, 1956, an abstract of the terms of appointment of Mr. N. D. Saraf as Whole-Time Director has already been sent to all the Members of the Company.

The Agreement between the Company and Mr. N. D. 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 up to 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.

Item no.7.

The Board of Directors at its meeting held on 29th of July, 2011 re-appointed Mr. Anurag Saraf as Joint Managing Director with effect from 1st August, 2011 for a period of 5 years, subject to approval of the members of the Company. The Remuneration Committee has also approved the terms and conditions including remuneration payable to Mr. Anurag Saraf as Joint Managing Director for a period of 5 years w.e.f. 1st August, 2011, subject to approval of the members.

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 95,000/- per month in the scale of Rs 75,000 – 5,000 – 1,00,000/-
- b. Perquisites and Allowances:

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

The perquisites and allowances payable to the Joint 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 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 Joint Managing Director.

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

The Joint 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, 2012.

The remuneration payable to the Joint 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 Joint 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 Joint Managing Director, the company has no profits or its profits are inad-

equate, 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. M. D. Saraf who is father of Mr. Anurag Saraf and Mr. Anurag Saraf, whose appointment is being considered, be deemed to be concerned or interested in the this resolution.

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

The Draft Agreement between the Company and Mr. Anurag 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. 7 of the accompanying Notice is commended for your approval.

Registered Office:

46 A & B, MIDC, Industrial Estate,
Hingna Road, Nagpur – 440028
Dated: 29th July, 2011

By Order Of The Board

Amit Pandey
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **EIGHTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

	For the year ended 31.3.2011 (Rs in lacs)	For the year ended 31.3.2010 (Rs in lacs)
Gross Profit / (Loss)	335.16	(192.85)
Depreciation / Amortization	547.80	397.11
Adjustments relating to earlier years	(130.87)	(3.22)
	(81.77)	(586.74)
Provision/(Credit) for MAT/GBT/DEF. TAX/ WT	272.23	72.73
Profit/(Loss) after tax for the year	(354.00)	(659.47)

OVERALL PERFORMANCE:

The year 2010-11 saw increase in domestic demand as compared to 2009-10 and there were increased orders from Automobile and Non automobile sectors. The competition grew with more Steel Plants coming up especially with backward integration route with Blast Furnaces, Sponge Iron and Captive Power, with lower rates which has affected our qualities and also net realization. There was an increase in raw material prices by almost 30% over the previous year which resulted in further increase in our working capital requirement to meet the targeted production. The production level in Steel Melting Shop remained almost the same i.e. 38585 MT as compared to 38715 MT of 2009-10. The Rolling Mill production was slightly higher at 36657 MT excluding conversion as compared to 33795 MT in 2009-10. However, there was reduction in the conversion tonnage which was at 17052 MT as compared to previous year's 22251 MT. The most encouraging feature was increase in production of Forged Round Bars which almost doubled as compared to previous year as the stabilization period of Forging Plant was almost complete. In the Domestic Sales front the tonnage was lower due to steep competition from new Steel producers with backward integration. On the Export front the tonnage increased by almost 40% as European and U.S. markets opened up after a deep recession in 2008-09 and part of 2010.

The Working capital gap created by losses in the first half coupled with increase in working capital demand due to rising Raw Material prices created further problems in achieving targets, resulting in a net loss of Rs. 361 lacs in a Sales Turnover of Rs. 26814.06 lacs during the financial year 2010-11 as compared to net loss of 659.47 lacs in a Sales Turnover of Rs. 21954.58 lacs during the year 2009-10.

Your company in order to tide over this situation has decided to focus over niche products by higher capacity utilization of Forging Plant. Looking into the market size and demand, your company in the financial year 2011-12 expects to achieve consistent production of 500 MT per month for the first six months and thereafter increase its production to 750 MT per month for the remaining part of the financial year.

This is expected to give the required boost to the overall profitability level of the company.

DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2010-2011.

PROSPECTS:

Your company has entered into the Forged product material in a big way after receiving approval from following customers in 2009-10.

- M/s. Elecon Engineers, Gujarat
- SIEMENS, Kharagpur
- BHEL, Tiruchy
- Nuclear Power Corporation Limited
- ThyssenKrup Industries, Pune
- Sugar Industries
- Defence Sector

Apart from normal shafts the company has entered into step shafts, Eccentric shafts, special shafts and dies.

- Your company has bagged order of approx., 12 crores from Ordnance Factory Ambajhari, Nagpur in Feb, 2011 which will be executed during the period April to September, 2011.
- Development of new products continues to remain a major thrust of your company for critical end applications and import substitution.
- Number of special grades were developed during the year both for Domestic and Export market.

With the Indian economy maintaining its growth momentum by posting 8.6% growth for the year under review and the auto industry in good shape the outlook for Special and Alloy Steel industry is expected to be good ahead.

FINANCE:

The Company has not accepted any fixed deposit from the public during the year under review. During the year the promoters of the company were allotted 15,00,000 5% Redeemable Cumulative Preference Shares of Rs. 100/- each by converting their interest bearing ICD of equivalent amount. This has not only reduced the debt and interest burden of the company but has also improved the net worth of the company, which got significantly eroded due to continued losses posted by the company during the last three years. In order to enable the company to convert the ICD into Preference shares the Authorised Share Capital of the Company has also been increased from Rs. 30 crores to Rs. 40 crores. The Authorised Share Capital of the Company now constitutes of Equity shares of Rs. 25 crores of Re. 1/- each and 5% Redeemable Cumulative Preference Shares of Rs.15 crores having a face value of Rs. 100/- each.

COST AUDITOR:

The Directors have appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 2011-12 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. Anurag Saraf, Mr. M. B. Thaker and Mr. Arye Berest, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election. Mr. G.L.N. Sastry ceased to be Nominee Director for Bank of India in the Board of the Company w. e. f. 30th June, 2011 consequent to his retirement from the Bank upon attending superannuation. Subject to approval of the shareholders in the General Meeting, the Board of Directors has re-appointed Mr. N. D. Saraf and Mr. Anurag Saraf as Whole-time Director and Joint Managing Director of the company, respectively, for a further period of 5 years. Necessary resolution in respect of their re-appointment has been commended for approval of the Shareholders in the Notice of the ensuing Annual General Meeting of the Company.

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 com-

mittee'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.60,00,000/- per annum or Rs.5,00,000/- 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 acknowledge the support and co-operation received from Central and State Government, financial Institutions, Banks, Customers, Suppliers and the Shareholders of the Company and expresses its sincere gratitude to them for their valuable support. The Directors also appreciate the value and contributions made by every employee of the company in the operations of the company.

On behalf of Board of Directors,

M. D. SARAF

Vice- Chairman & Managing Director

Place : Nagpur

Dated : 29th July, 2011

VINOD SARAF

Managing 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**

Hot charging in Forge Shop Switched to electrical furnaces from oil fired for hardening / tempering which resulted in reduction in consumption of energy.

New furnaces with modified design were commissioned to reduce consumption.

b) Additional investment and proposals, if any, being : implemented for reduction of consumption of energy.

Propose to convert old electrical furnaces to new design for achieving better efficiency and reduce energy consumption.

c) Impact of measures at (a) and (b) for reduction of energy : consumption and consequent impact on the cost of production of goods.

Rs. 1500/- MT of hardened and tempered product.

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.**

Forgings of Stepped Shafts, Hollow Tubes.

New Grades: R7007, Forging of Nuclear applications, R10S10U, AISI471, ASCB471, ASCB43517

ii) Benefits derived as a result of above efforts. :

Product Mix was broadened due to inclusion of above grades.

iii) Information regarding technology imported : during the last five years

None

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 developed.

2) Total Foreign Exchange used and earned (2010-2011) :

(Rs. in Lacs)

- i) CIF value of imports
- Expenditure in Foreign Currency
- ii) Foreign Exchange earned

1151.01
45.55
3802.46

On behalf of Board of Directors,

M. D. SARAF

Vice- Chairman & Managing Director

VINOD SARAF

Managing Director

Place : Nagpur

Dated : 29th July, 2011