

51st Annual Report
2011-2012



GEE LIMITED



The Board of Directors

S. L. Agarwal
Managing Director

S. M. Agarwal
Executive Director

G. K. Saraf
Executive Director

M. P. Dhanuka
Executive Director (Marketing)

Utsav Kapadia
Director

Ashok Kumar
Director

K. M. Panthaki
Director

Sujit Sen
Director

Registered Office

Plot No: E-1, Road No: 7 Wagle Industrial Estate
Thane (West) - 400 604

Registrars & Share Transfer Agent

Sharepro Services India Pvt. Ltd
13 AB, Samhita Warehousing Complex, 2nd Floor, Off Andheri
Kurla Road, Sakinaka Telephone Exchange Lane, Sakinaka,
Andheri East, Mumbai - 400 072

Bankers

State Bank of India
The Thane Janata Sahakari Bank Ltd.
ICICI Bank Limited

Auditors

M/s Ford Rhodes, Parks & Co.
Chartered Accountants



Mumbai Plant



Kolkata Plant

From the Managing Director's Desk

Dear Shareholders,



I have great pleasure in presenting the 51st Annual Report for the year ended 31st March, 2012.

The last fiscal was a challenging year on many fronts. Asia's third largest economy posted its lowest GDP growth rate at approximately 6.9%, reporting the effect of global factors- Eurozone debt crisis and high oil prices, as well as a sluggish domestic environment marked by high inflation, liquidity crunch and slow investment and industrial activities. Steel consumption, a key indicator of the industry's growth rate was well below expectation.

In this backdrop, GEE posted a growth of 18% in turnover over the previous year, signaling the greater market share it is poised to capture. Delivering on our promise to grow consistently, we have been taking aggressive stance towards building customer relations and pursuing new clients. However, net profit margins remain under pressure, mainly on account of erratic trends in prices of key raw materials. Further, hardening of interest rates by the central bank also had a negative impact on the Company's bottomline.

Despite a difficult financial year, we are slightly more optimistic about the current fiscal, as statistics for the month of May show an improvement. The bottlenecks responsible for lower steel consumption are gradually phasing out. Indian steel demand rose sharply in the first quarter of the current fiscal. Gee's growth is directly linked with the overall infrastructural development of the country. We can safely say that this may be a trying phase but this is definitely not the end. There is light beyond the tunnel. And this hope stems from the basic fact that India, as compared to its developed counterparts, still has a long way to go in terms of per capita steel consumption, infrastructural development and consolidation, all of which will entail high demand for welding consumables. It will be premature to predict the economic scenario in the year to come. The government should work on a war footing on policy reforms, thereby creating a rebound in economic growth, renewed investor appetite and a general confidence in the economic structure as a whole. Given that it does happen, we see a more robust growth in Gee and we promise to deliver up to the mark.

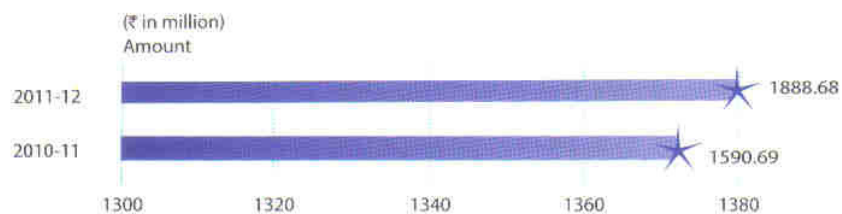
As a Company and as a team, we are working passionately towards taking Gee to new platforms and raising quality bars across industry. Last but not the least, let me thank you for your support and the trust that you have reposed in the Company which has enabled us to achieve this growth.

Yours Sincerely,

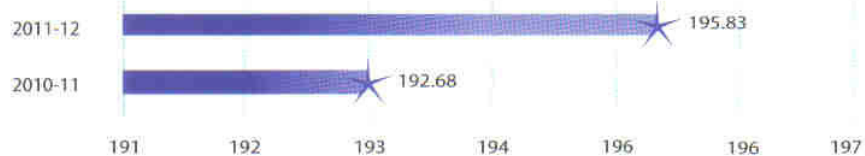
S.L. Agarwal
Managing Director

2011-2012 Highlights

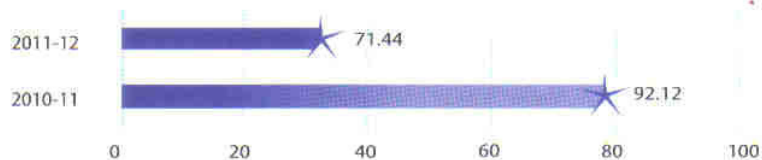
Revenue



EBITDA



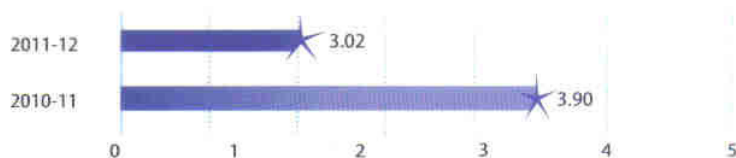
PAT



Debt Equity

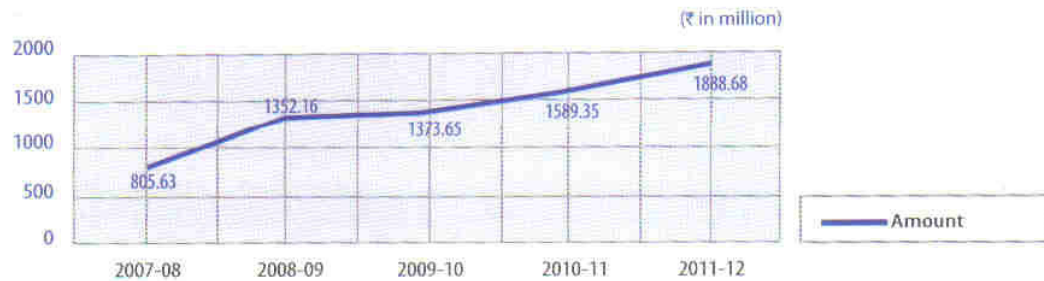


EPS

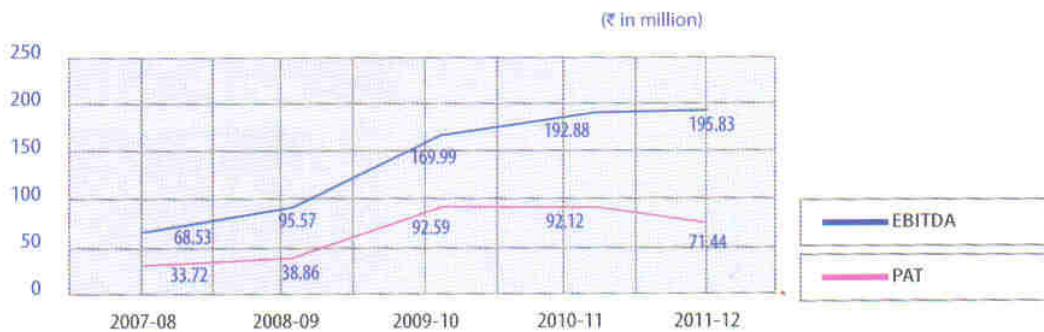


Five Years at a glance

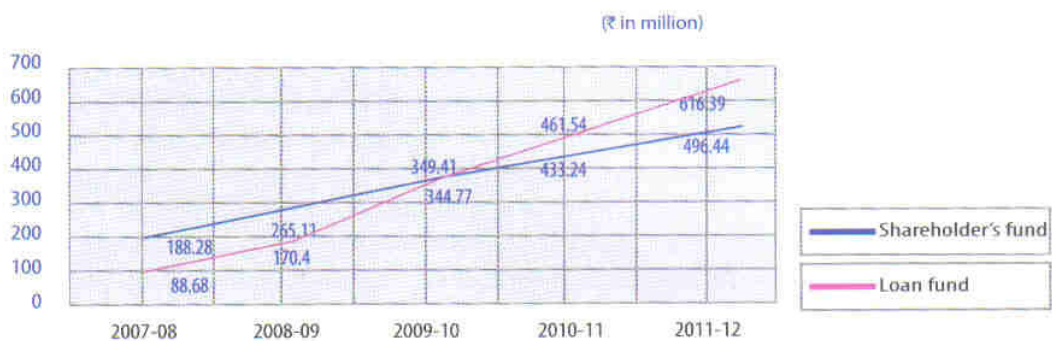
Revenue



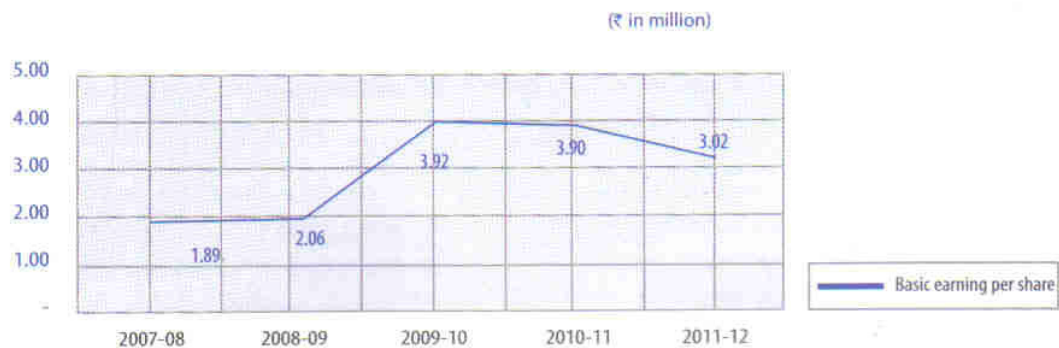
EBITDA and PAT



Loan Funds and Shareholders' Funds



Basic Earning Per Share (₹)



DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the 51st Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2012.

Financial Results

Key aspects of your Company's financial performance for the year 2011-12 are tabulated below:-

(₹ in million)

Particular	2011-2012	2010-2011
Sales (Gross) & Other Income	1888.68	1589.35
Profit before Interest & Depreciation	195.83	193.57
Financial Charges	74.15	53.11
Depreciation	20.11	13.91
Profit before Taxes	101.57	126.55
Payment / Provision for Taxes	30.13	34.43
Profit after Taxes	71.44	92.12
Profit brought forward	199.37	130.54
Appropriation to:		
General Reserve	15.00	15.00
Proposed Dividend	7.08	7.08
Tax on Proposed Dividend	1.15	1.20
Profit carried to Balance Sheet	247.57	199.37

Dividend

Your Directors have also recommended, for consideration of shareholders at the Annual General Meeting, Dividend @ 15% (₹ 0.30/- per share of ₹ 2 each), on 2,36,25,878 equity shares. The Dividend will be paid in compliance with applicable regulations.

During the FY 2011-12, India's GDP slowed down to 6.9% due to overall depressed sentiments within and outside the country. Despite the challenging environment, it is a matter of satisfaction that your Company has registered improvement in the topline of 18%, from INR 1470 million in 2010-11 to 1732 million in 2011-12. The increase in topline is attributed to better product mix, repeat orders from regular customers who find value addition from our product range and the effect of an increased capacity base to service increasing demand for Gee's products across sectors.

The Company completed its planned expansion project at all 3 locations-Thane, Kalyan and Kolkata, as per schedule. In total, Gee added Rs. 131.78 million to its gross block of fixed asset. The expanded capacity is expected to usher in higher revenues for the Company, riding on high steel consumption and increasing demand.

As discussed in the last fiscal, tight liquidity conditions with persistent hardening of interest rates put severe stress on net profit margins. To cut down its finance costs, the Company ventured into new financial products like Foreign Currency denominated loans, Buyers' Credit facility and Packing Credit in Foreign Currency. The Company converted INR 187.10 million of its INR term loan and a part of Cash Credit facility into Foreign Currency loan backed by FCR deposits. However, since these arrangements were entered into in the second half of the fiscal, entire impact of the benefit from the same could not be factored in the year under review. The management is hopeful that this exercise will yield positive results in the coming financial years. However, steep depreciation in the Indian Rupee vis-à-vis the dollar impacted in a negative manner having a notional cost of INR 6.84 million, included in the financial charges.

Further, with inflationary pressures, high borrowing costs and increase in cost of key raw materials affected profitability and internal accruals thereby. Due to such unprecedented increase in raw material prices, the Company was unable to pass on its impact to the end consumer in total. The Company operates in a highly competitive industry with a big chunk of the sector also operated by unorganized players. The PBT declined by 2.75% as compared to the previous year, from INR 126.55 million in 2010-11 to INR 101.57 in 2011-12.

The highlights and details are discussed under the Management Discussion and Analysis attached as Annexure - D to this report. The Company's expansion of capacity of welding consumables, Solid Wires and SAW Wires will deliver fruitful results in the coming years. We definitely look forward to capture greater market share in our operating segments.

Diversification Projects

As reported last year the management shall embark upon the project as and when it is deemed fit without affecting the Company's core revenue and cash flows. The management maintains its opinion that the IT Park is a diversification project and its core competence lies in welding consumables and its ancillaries. Therefore, it will undertake the project with utmost precautions, safeguarding the interests of all concerned and generating maximum benefit for the Company.

Energy, Technology & Foreign Exchange

A statement giving details of conservation of energy, technology absorption and foreign exchange earning and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto in Annexure-A.

Fixed Deposits

The Company has neither accepted nor renewed any Fixed Deposit from the public during the year and as on 31st March 2012, there were no outstanding deposits.

CORPORATE MATTERS

Corporate Governance

The Company has complied with the Corporate Governance code as stipulated under the listing agreement executed with the Stock Exchange. A separate section on Corporate Governance along with a certificate from the auditors of the company confirming the compliance is annexed and forms part of this Report.

Directors

The respected Directors, Mr. M.P. Dhanuka, Executive Director and Mr. Utsav Kapadia, Director, retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The necessary resolutions are being placed before the shareholders for approval.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

Your Directors hereby confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period;
- iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the directors have prepared the annual accounts on a going concern basis.

Internal Control System and Adequacy

Your Company maintains an adequate system of internal control including a suitable monitoring process. For the purpose of financial control, the Company is adequately staffed with experienced and qualified personnel at all levels and plays an important role in implementing and monitoring the statutory and internal policy control.

The internal audit department regularly conducts reviews to assess financial and operating controls at various locations of your Company. Any significant issue is brought to the notice of the Audit Committee.

Auditors

M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received certificates from them that their appointment will be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956. The necessary resolution is being placed before the shareholders for approval.

Employees

There were no employees drawing remuneration in excess of ceiling(s) prescribed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

Acknowledgement

Your Directors also wish to appreciate the dedication and commitment displayed by employees at all levels and also express their sincere thanks and appreciation to Financial Institutions, Banks and Shareholders, the State and Central Government, customers, dealers and suppliers for their continued support and co-operation.

For and on behalf of the Board

Place : Thane
Date : August 17, 2012

S. L. AGARWAL
Managing Director

S. M. AGARWAL
Executive Director

Annexure A to the Directors' Report

(Additional Information in terms of Notification No.1029 of 16.12.1988 issued by the Department of Company Affairs)

[A] Conservation of Energy

The disclosure of conservation of energy has not been provided as the Company is not covered under the list of specified industries under the Disclosure of Particulars in the Report of Board of Directors Rules, 1988. However, required conservation measures mentioned below are undertaken by the Company:

- Fuel consumption in DG sets was reduced by using automatic change-over and APFC panels.
- Introduction of AC Induction Motors in place of DC Motors.
- ETP/STP installations enabled use of recycled water.
- Blowers and cooling fans in equipment re-wired to run only when PDN equipment is in use.
- Introduction of gas fired heating system in replacement of static oven heaters.

[B] TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

Efforts made towards technology absorption and R&D is given as per Form-B annexed herewith.

[C] FOREIGN EXCHANGE EARNINGS & OUTGO

Details of earnings and outgo of foreign exchange are given in Schedule 22, Notes to the Accounts. The Company continues to strive to improve its export earnings.

FORM B

(See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

[A] RESEARCH & DEVELOPMENT (R&D)

1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY:

Improvement / Technology upgradation of the Company's existing products and Research and Development of alternate raw material with a view to improve quality, minimize imports and to reduce costs. A new spectrometer was added to enhance the quality standards across all product ranges.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D :

- Wider range of electrodes, enhanced value equation and greater customer satisfaction.

3. FUTURE PLAN OF ACTION:

- The Company intends to pursue technology innovation, renewed up-gradation in its product range consistently to enhance consumer service and reduce costs at all levels.

4. EXPENDITURE ON R&D

	2011-2012	(₹ in million) 2010-2011
a) Capital	—	—
b) Recurring	—	—
c) Total	—	—
d) Total R&D expenditure as a percentage of total turnover	—	—

[B] TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. EFFORTS IN BRIEF, MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The following measures are undertaken by the Company:

- Development of welding consumables for Super Thermal power plant with special chemical and mechanical properties.
- Development of Non-synthetic basic type of electrode for Hydro-Power electrical plants.
- Development of special binder for achieving extremely low hydrogen in the welding electrodes.
- Welding Consumables developed for cryogenic steels used in fertilizers and petrochemical sectors.
- Development of welding consumables for welding special grade of steels used in defence shipbuilding industries.
- Welding Consumables developed for armour steels used in army tanks.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE EFFORTS, E.g. Product Development, Import Substitution Etc.:

The benefits derived from the mentioned technology absorption measures:

- Significant reduction in power and fuel cost.
- Improvement in quality of electrode.

3. PARTICULARS OF IMPORTED TECHNOLOGY IN THE LAST FIVE YEARS:

- a) Technology imported : N.A.
- b) Year of Import : N.A.
- c) Has technology been fully absorbed : N.A.
- d) If not fully absorbed, reason & future action plan : N.A.

Annexure B to the Directors' Report Report on Corporate Governance

Introduction

Your Company has complied in all material aspects with the provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance of the Listing Agreement by the Company is provided below.

Company's Philosophy

Corporate Governance is about commitment to values and integrity in directing the affairs of the Company. It is an integral part of strategic management. Its basic tenets are adherence to ethical business practices; responsibility and accountability; honesty and transparency in the functioning of the management and the Board; true, complete and timely disclosures; and compliance of law. The Company's philosophy is to uphold the core values of ethics and create maximum shareholder value without compromising the integrity of business practices.

The Board of Directors and the management of GEE Limited commit themselves to:

- Strive towards enhancement of shareholder value through sound business decisions
 - Prudent financial management and
 - High standards of ethics throughout the organization
- Ensure transparency and professionalism in all decisions and transactions of the Company

1. Board of Directors

During the year, 4 Board Meetings were held on 30.05.2011, 30.07.2011, 31.10.2011 and 30.01.2012

None of the Directors of the Board is a member of more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

The composition of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting and also number of other directorships and Committee Memberships are given below:

Sl.No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	No. of Member of other Committees	Chairmanship of other Committee(s)	Note No.
1	Mr. S.L. Agarwal	Managing Director	4	Yes	6	2	-	A
2	Mr. S.M. Agarwal	Executive Director	4	Yes	-	2	-	A
3	Mr. G K Saraf	Executive Director	1	Yes	3	-	-	A
4	Mr. M.P. Dhanuka	Executive Director (Marketing)	4	Yes	-	-	-	C
5	Mr. Ashok Kumar	Non-executive Director	-	Yes	-	3	-	B
6	Mr. Sujit Sen	Non-executive Director	-	No	1	3	2	B
7	Mr. Utsav Kapadia	Non-executive Director	2	Yes	12	-	-	B
8	Mr. K.M. Panthaki	Non-executive Director	4	No	1	3	1	B

A. Promoter Directors.

B. Non-executive and independent Directors.

C. Executive and independent Directors.

Equity Shares held by Directors

Name of the Director	No. of Equity shares
Mr. S.L. Agarwal	1,752,016
Mr. S.M. Agarwal	423,898
Mr. G. K. Saraf	197,868
Mr. Utsav Kapadia	93,122

2. Secretarial Standards

The Institute of Company Secretaries of India (ICSI) has laid down Standards on secretarial practices relating to meetings of the Board and Board Committees, General Meetings, dividends etc. The Secretarial and the operating practices of the Company are in line with the above Secretarial Standards.

All the information required under Annexure-I to Clause 49 of the Listing Agreement with Stock Exchanges is being placed before the Board at every meeting, with the current status duly updated.

3. Audit Committee**Composition & Meeting**

The Audit Committee's terms of reference conforms to section 292A of Companies Act, 1956 as well as Clause 49 of the Listing Agreement. During the Financial Year 2011-12, four meetings of Audit Committee were held as follows:-

Sl. No.	Name of Director	Status	Meetings attended (Y/N)			
			30.05.11	30.07.11	31.10.11	30.01.12
1	Mr. Sujit Sen	Chairman & Non-executive Independent Director	N	N	N	N
2	Mr. Ashok Kumar	Non-executive Independent Director	N	N	N	N
3	Mr. K. M. Panthaki	Non-executive Independent Director	Y	Y	Y	Y
4	Mr. S. L. Agarwal	Executive Non-Independent Director	Y	Y	Y	Y
5	Mr. S. M. Agarwal	Executive Non-Independent Director	Y	Y	Y	Y

The Statutory Auditor (if need arise), Internal Auditors are invitees to the Audit Committee Meetings.

4. Remuneration Committee

Your Company has formed a Remuneration Committee to lay down the norms for determination of remuneration of the executive as well as non-executive directors and executives at all levels of the Company. The Remuneration Committee has been assigned to approve and settle the remuneration package with the optimum blending of monetary and non-monetary outlay.

Composition of Remuneration Committee:

Sl. No.	Name of the Director	Status	Designation in Committee
1	Mr. Sujit Sen	Non-Executive Director	Chairman
2	Mr. Ashok Kumar	Non-Executive Director	Member
3	Mr. K. M. Panthaki	Non-Executive Director	Member