GALLANTT

METAL LIMITED

Annual Report 2010 - 2011

BUILDING TOMORROW...

Message from Chairman & Managing Director

Dear Shareowners,

Fiscal 2010-11 reflected recovery and revival across most of the economies after witnessing the pain and panic of the 2008 financial crisis. While the US, the UK and Western Europe experienced modest recoveries, China, India and other Asian countries, as also certain countries in Latin America, continued to register high levels of growth and continued to be centres of significant economic activity. Inflation has, however, now emerged as the new global economic challenge, driven by a substantial rise in the prices of almost all commodities, mineral resources and energy, impacting almost all industrial sectors. Unemployment, Debt and Deficit continued to remain as challenges. Global Steel Production grew by 15% at 1414 MnT, while China's steel production was up by 9.3% to 627 MnT. The global steel industry continued to face an unprecedented increase in the price of iron ore and coking coal, accentuated by short-term supply disruptions. These have created pressures on the viability of the steel industry and consequently the competitiveness of the user industries. China continued to be the largest national steel producer and largest domestic consumer of steel. The steel demand in Western Europe and the UK has remained more or less stagnant, with intense competition from steel producers in Eastern Europe utilizing lower cost inputs. Asian countries, including India, on the other hand, continued to enjoy robust demand from several sectors resulting in increased volumes and a richer product mix.

Projects and Expansion Initiatives

The Company has decided to set-up a new Pellet plant with beneficiation unit at Village - Halavarthi, Taluka and District - Koppal, Karnataka. Company has acquired a land of 106 acres (approx.) for the expansion plan as above and has also obtained clearances for the new project from the Karnataka Government and Ministry of Environment and Forests. However, the size and shape of the project is yet to be decided.

Your Company's Performance

The fiscal year 2010-11 would be marked as an important year for the Company. During the year Company has reported a turnover of Rs. 55,658.56 Lacs. Company has posted a Profit Before Tax (PBT) Rs. 3,025.94 Lacs and Profit After Tax (PAT) Rs. 2,292.25 Lacs. The Company is taking several measures to ensure the cost reduction, such as, increased coal injection in blast furnace, higher captive power generation, etc. along with lower input costs led to reduction in cost of production.

Future Outlook

As reported by the 'World Economic Outlook' (WEO) issued by the International Monetary Fund in April 2011, the world economy is expected to grow at 4.5% in the years 2011 as well as 2012. The advanced economies are projected to grow at 2.5% while the emerging and developing economies will be growing at a higher level of 6.5%. China and India, as a part of the developing Asia are set to grow at 9.6% and 8.2% respectively during 2011 and 9.5% and 7.8% in 2012 with private demand growing in China while infrastructure remains a key contributor to growth in India.

During the year under review, the Indian economy has performed well with very attractive growth rates reflecting strong consumer demand for almost all goods and services. The years ahead could, however, be challenging as the government endeavors to curb inflationary growth. The most significant impact will however be from the slowdown in major infrastructure projects in the areas of road construction, mass transit systems, power generation and investments in primary industries, where financial closure, right-of-way permissions and land acquisition could present major delays. Gallantt Metal will continue to be committed to be amongst the most cost efficient steel companies in the western region of the country, while meeting its social responsibility to its stakeholders and the communities which it serves.

Thanking you,

Yours truly,

C. P. Agarwal
Chairman
July 15, 2011

Corporate Information

Board of Directors

Mr. Chandra Prakash Agarwal
Chairman & Managing Director

Mr. Dinesh R. Agarwal
Whole-time Director

Mr. Nitin M. Kandoi
Director

Mr. Rajesh Kumar Jain
Non-Executive Independent Director

Mr. Jyotirindra Nath Dey
Non-Executive Independent Director

Mr. Virendra Kumar Keshari
Non-Executive Independent Director

Company Secretary

Mr. Rajesh Upadhyaya

Auditors

A. K. Meharia & Associates
Chartered Accountants

Registered Office

11, Crooked Lane, Second Floor
Kolkata - 700 069
Telefax : (033) 2231 2429
Website : www.gallantt.com

Works

Survey No. 175/1
Village : Samakhyali
Taluka : Bachau
District : Kutch, Gujarat

Bankers

State Bank of India
Bank of Baroda
State Bank of Indore
State Bank of Hyderabad
State Bank of Mysore
UCO Bank
State Bank of Travancore
State Bank of Patiala
ICICI Bank
HDFC Bank

Equity Shares Listed on

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

Registrar & Share Transfer Agent

Niche Technologies Pvt. Ltd.
D-511, Bagree Market
71, B. R. B. Basu Road, Kolkata - 700 001
Phone : (033) 22357270/7271/3070/2234
Fax : (033) 2215 6823

Audit Committee

Mr. Virendra Kumar Keshari - *Chairman*
Mr. Rajesh Kumar Jain
Mr. Jyotirindra Nath Dey

Share Transfer and Shareholders'/Investors' Grievance Committee

Mr. Rajesh Kumar Jain - *Chairman*
Mr. Virendra Kumar Keshari
Mr. Jyotirindra Nath Dey

Remuneration Committee

Mr. Jyotirindra Nath Dey - *Chairman*
Mr. Virendra Kumar Keshari
Mr. Rajesh Kumar Jain

Contents

Notice 2 Directors' Report 3 Corporate Governance 6
Management Discussion & Analysis 14 Auditors' Report 15 Balance Sheet 18
Profit & Loss Account 19 Cash Flow Statement 20 Schedules to Accounts 21
Balance Sheet Abstract 35

Notice

Notice is hereby given that the Seventh Annual General Meeting of GALLANTT METAL LIMITED will be held on **Wednesday, 28th September, 2011 at 11.30 A.M.** at - Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as on 31st March, 2011, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To reappoint Mr. Dinesh R. Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

   "RESOLVED THAT M/s. A. K. Meharia & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company."

NOTES :

1. 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. The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from **22nd September, 2011 to 28th September, 2011** (both days inclusive) in connection with the Annual General Meeting.
3. Members are requested to bring their copies of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
4. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. Members holding shares in dematerialized form are requested to write their Client ID and DP ID numbers in the Attendance Slip for attending the Meeting.
6. Members are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company for admission to the meeting hall.

Registered Office :
11, Crooked Lane,
Second Floor,
Kolkata -700 069
Date : July 15, 2011

By Order of the Board

Rajesh Upadhyaya
Company Secretary

IMPORTANT COMMUNICATION TO MEMBERS

As you all may be aware, Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing Circulars 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, whereby Companies are permitted to send Notices/documents including Annual Report comprising Balance Sheet, Profit & Loss Account, Directors Report, Auditors Report etc. in electronic mode to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with the Company's Share Transfer Agent, Niche Technologies Private Limited by sending e-mail to gallanttmetal@nichetechpl.com

Directors' Report

To the members

Your Directors have pleasure in presenting the 7th Annual Report of the Company and the Annual Accounts for the year ended 31st March, 2011.

1. **WORKING RESULTS**

(Rs. in Lacs)

Financial Results	2011	2010
Income from operation	55,658.56	43,311.59
Other Income	1,187.25	116.12
Profit before Interest, Depreciation and Tax	5826.24	6521.38
Less : Interest	1,232.80	1400.61
Profit before Depreciation & Tax	4593.44	5120.77
Less : Depreciation (including amortization)	1,567.50	1528.13
Profit Before Tax	3025.94	3592.64
Provision for Tax :		
- Current	603.78	611.29
- Deferred	129.91	626.46
Profit After Tax	**2,292.25**	**2354.89**

2. **PERFORMANCE REVIEW**

During the year your Company has reported a turnover of Rs. 55,658.56 Lacs. The operating profit stood at Rs. 5826.24 Lacs. The Profit before Tax and Profit after Tax remains Rs. 3025.94 Lacs and Rs. 2292.25 Lacs respectively. Increase in turnover during the year is result of various strategic initiatives taken by the Company to improve its volumes and profitability. However, profitability of the Company remains lesser than that of previous year mainly due increase in input cost.

Your Company was availing area based excise exemption as the unit is set up in Kutch, Gujarat for five years. The period of said exemption has been completed in December, 2010. And also your Company was getting sales tax incentive which has also been exhausted in September ' 2010.

Yours Directors are pleased to report that irrespective of completion of incentive period, your Company has shown an excellent performance in terms of both financial and operational performance.

3. **PROJECTS AND EXPANSION INITIATIVES**

The Company has decided to set-up a new Pellet plant with beneficiation unit at village-Halavarthi, Taluka and District - Koppal, Karnataka. Company has acquired a land of 106 acres (approx.) for the expansion plan as above and has also obtained clearances for the new project from the Karnataka Government and Ministry of Environment and Forests. However, the size and shape of the project is yet to be decided.

4. **DIVIDEND**

In view of conserving resources of the Company for future plan and to strengthen its fund and liquid position, Directors are unable to recommend any dividend.

5. **DIRECTORS' RESPOSIBILITY STATEMENT**

In compliance with Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000 your Directors state that :

A. The Applicable Accounting Standards have been followed in the preparation of Annual Accounts.

B. That the accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011.

C. That proper and sufficient care has been taken for 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.

Directorts' Report

D. That the Annual Accounts have been prepared on a going concern basis.

6. **CORPORATE GOVERNANCE**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance together with Auditors' Certificate on Corporate Governance is appended to the Annual Report. Your Company is committed to achieving the highest standards of Corporate Governance and has complied with the requirements of Clause 49 of the Listing Agreement. Further, as required under Clause 49 of the Listing Agreement a Management Discussion and Analysis Report is appended to the Annual Report.

7. **INITIAL PUBLIC OFFER OF EQUITY SHARES BY GALLANTT ISPAT LIMITED**

M/s. Gallantt Ispat Limited (GIL), a Company under the same Group has come out with Initial Public Offer (IPO) of 81,00,208 Equity Shares of Rs. 10/- each at a Premium of Rs. 40/- per Equity Share. Your Company has promoted GIL as a Promoter of the Company. GIL has successfully concluded IPO and received overwhelming response from the public. Equity Shares of GIL is listed with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

8. **LISTING INFORMATION**

The Equity Shares in the Company are in dematerialized form and is listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Listing Fee has been paid to the Stock Exchanges for the year 2011-12. The ISIN No. of the Company is I N E 2 9 7 H 0 1 0 1 9.

9. **FIXED DEPOSITS**

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

10. **PARTICULARS OF EMPLOYEES**

No employee of the Company is covered under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

11. **AUDITORS & AUDITORS' REPORT**

M/s. A. K. MEHARIA & ASSOCIATES, Chartered Accountants, statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a certificate from them that their reappointment, if made, would be within the limits laid down under Section 224 (1B) of the Companies Act, 1956.

The notes on accounts referred to the Auditors' Report are self-explanatory and therefore, do not call for any further explanation.

12. **PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO**

The particulars as prescribed under sub-section 1(e) of Section 217 of the Act, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto and form part of the report.

13. **PERSONNEL, INDUSTRIAL RELATIONS AND MARKETING**

Accelerating sales force performance is a key priority for Companies. Company is in continuous process of discussing the methods for developing a go-to-market strategy and designing sales forces. Your Company relies on its sales teams to deliver revenue growth, and entrust to them their most valuable assets - customers. In turn, your Company's sales teams brought a remarkable growth in the sales volume and profit margin irrespective of cut throat competition. The industrial relations continued to be cordial.

14. **DIRECTORS**

Mr. Dinesh R. Agarwal, Director of your Company, retires from the Board by rotation and eligible for re-election.

15. **ACKNOWLEDGEMENT**

Your Directors would like to acknowledge and place on record their sincere appreciation to all Stakeholders, Customers, Banks, Central and State Governments, the Company's valued investors and all other business partners for their continued co-operation and excellent support received during the year.

On behalf of the Board

Place : Kolkata
Date : July 15, 2011

C. P. Agarwal
Chairman

Annexure to Directors' Report

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

A. **CONSERVATION OF ENERGY**

(a) Energy Conservation Measures Taken

Energy conservation continued to be an area of priority. Your Company accords highest priority for conservation of energy and necessary measures for optimizing energy consumption have been taken i.e., close and vigorously monitoring of various plants and equipments, adopting new and latest technology etc.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Nil

(c) In respect of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods - This has resulted in cost savings for the Company.

(d) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in the Schedule thereto :

FORM-A

Disclosure of Particulars with respect to conservation of energy

	2010-11	2009-10
A. Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Total Unit (in Lacs)	**110.66**	95.28
Amount (Rs. in Lacs)	**740.87**	836.51
Rate Per Unit (Rs.)	**6.70**	8.78
(b) Own Generation		
Total Units (in Lacs)	**1605.59**	1688.11
Amount (Rs. in Lacs)	**5939.56**	5027.42
Rate per Unit (Rs.)	**3.70**	2.98
2. Coal		
Quantity (M.T.)	**223717**	199450
Total Cost (Rs. in Lacs)	**9114.07**	7253.99
Average Rate (Rs. per M.T.)	**4074**	3637
3. Furnace Oil		
Quantity (K. Ltrs.)	**170.214**	106.884
Total Cost (Rs. in Lacs)	**42.40**	34.04
Average Rate (Rs. / K. Ltrs.)	**24910**	21158
B. Consumption per unit of production		
1. Electricity (Unit/M.T.)		
- Sponge Iron	**68**	73
- Rolling	**95**	95
- SMS (Furnace)	**744**	800
2. Coal		
- Sponge Iron (Kg/M.T.)	**1097**	1136
- Rolling (M.S. Bar) (Kg./M.T.)	**101**	88
- Power Plant (Per 1000 KWH)	**700**	557

Annexure to Directors' Report

FORM - B

Disclosure of Particulars with respect to technology absorption

RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R & D carried out by the Company

No Research & Development work has been carried out by the Company.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts, in brief, made towards technology absorption, adaptation etc.**
   - Absorbing and adapting latest technology in maintenance system.
   - Technical Interaction with expert.
   - Continuous efforts are being made towards improvements in existing production process.
2. **Benefits derived as a result of the above efforts**
   - Improvement in quality of products.
   - Cost reduction
   - Improvement in the existing process and productivity.
   - Knowledge of updated technology.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export, initiative taken to increase exports, development of new export markets for products and export plans. - Nil
2. The information on foreign exchange earnings and outgo has been discusses in schedule 'T' point No. 7 (Notes on accounts)

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes in good Corporate Governance which in turn provides transparency of corporate policies, strategies and the decision making process. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance.

Corporate Governance at Gallantt Metal is an ongoing process and the Company continuously strives to improve upon its practices in line with the changing demands of the business environment. This chapter reports and confirms that your Company complies with the requirements on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, the details of which are given hereunder :

I. BOARD OF DIRECTORS

Size and Composition of the Board

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board is balanced comprising Executive and Non-Executive Directors. The Non-Executive Directors include independent professionals. The Board has strength of Six Directors as on 31st March, 2011. Our Board of Directors has Three Independent Directors.

During the financial year ended 31st March, 2011 Ten meetings of the Board were held on 20th April, 2010, 29th May, 2010, 24th June, 2010, 2nd August, 2010, 12th August, 2010, 06th September, 2010, 25th October, 2010, 12th November, 2010, 20th December, 2010, and 11th February, 2011. The maximum time gap between any two consecutive meetings did not exceed four months. The details regarding the attendance of Directors at the Board Meetings, Number of other Directorships and Committee positions held by them in other Companies as on 31st March, 2011 are given below :

Report on Corporate Governance

Name & Designation of the Directors	Category/ Position	Last Annual General Meeting Attended	No. of Board Meetings Attended out of 10 meetings held during the year	No. of other Director-ships	Committee Positions held	
					Chairman	Member
Mr. Chandra Prakash Agarwal Chairman & Managing Director	Executive/ Promoter	Yes	9	1	Nil	Nil
Mr. Nitin M Kandoi Director	Non-Executive Non-Independent/ Promoter	No	6	1	Nil	Nil
Mr. Dinesh R. Agarwal Whole-time Director	Executive/ Promoter	No	6	Nil	Nil	Nil
Mr. Jyotirindra Nath Dey	Non-Executive Independent	Yes	10	2	1	2
Mr. Rajesh Kumar Jain	Non-Executive/ Independent	No	8	1	1	2
Mr. Virendra Kumar Keshari	Non-Executive/ Independent	Yes	10	1	1	2

Notes :

- Mr. Virendra Kumar Keshari, Mr. Rajesh Kumar Jain and Mr. Jyotirindra Nath Dey have been considered as Independent Directors as they do not have any material pecuniary relationship or transactions with the Company, its promoters, its management, etc. which in judgment of the Board, may affect independence of their judgment.
- Other Directorships of only Indian Public Limited Companies have been considered.
- Committee positions of only 3 committees namely Audit Committee, Share Transfer and Investors'/Shareholders' Grievance Committee and Remuneration Committee have been considered.
- The Company placed before the Board of Directors the annual operating plans, capital budgets, the information on recruitment and remuneration of senior officers just below the board level, performance and various other information, including those specified under Annexure I of the Listing Agreement from time to time.

Changes in composition of the Board of Directors since last Report

There is no change in the composition of the Board of Directors of the Company since last Report.

Reappointment of Director

The brief particulars of the Directors of the Company proposed to be re-appointed at the ensuing Annual General Meeting are as under :

(a) Name of the Director	Mr. Dinesh R. Agarwal
Date of Birth	13.12.1967
Date of Appointment	07.02.2005 (Since Incorporation)
Qualifications	B. Com(H)
Experience	Mr. Dinesh R. Agarwal, a promoter Director of the Company having experience of 22 years in textiles sector and moe than a decade in iron and steel sector. In his capacity as Whole-time, he is managing all entire marketing and general

Report on Corporate Governance

	administrative devision of the Company. During this period and under his Directorship, the Company has completed and achieved various targets and plans and the Company achieved higher levels of growth. His experties in the steel and power businesses has been instrumental in contributing to the growth of the Company.
Directorship in other Companies	1. Ganesh Laxmi Processor Pvt. Ltd.
	2. G. L. Sarees Pvt. Ltd.
	3. Kadodara Power Pvt. Ltd.
	4. G. L. Steel & Power Ltd.
Membership/Chairmanship of Committees of the other public companies on which he is a Director.	Nil
No. of Shares held in the Company	210000

Code of Conduct

The code of conduct in line with the provisions of clause 49 of the Listing Agreement has been framed / adopted by the Board and is applicable to all the members of the Board and Senior Management Executives. This Code forms an integral part of the Company's Governance Policy. The Code has been posted on the web site of the Company www.gallantt.com. Declaration of compliance of the Code of Conduct in terms of sub clause (ii) of clause 49(I)(D) of listing agreement is given hereunder :

"The Board of Directors of Gallantt Metal Limited has pursuant to sub clause (i) of Clause 49 (I) D of the Listing Agreement laid down Code of Conduct for all Board members and senior managerial personnel of the Company which has also been posted on the website of the Company, viz. www.gallantt.com.

In terms of sub-clause (ii) of the said clause and as per 'affirmation of compliance' letters received from the Directors and the members of senior managerial personnel of the Company, I hereby declare that Directors and the members of senior management of the Company have complied with the Code of Conduct during the financial year 20010-11".

Place : Kolkata
Date : July 15, 2011

Chandra Prakash Agarwal
Chairman and Managing Director

II. COMMITTEES OF THE BOARD

Audit Committee

Audit Committee has been constituted in accordance with the requirements of Section 292A of the Companies Act, 1956 and the terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

During the year ended 31st March, 2011, the Audit Committee comprised of Mr. Virendra Kumar Keshari, an Independent Director, as the Chairman, Mr. Jyotirindra Nath Dey and Mr. Rajesh Kumar Jain all independent Directors as Members. Mr. Rajesh Upadhyaya, Company Secretary acts as the Secretary to the Committee.

The Committee, in addition to other business reviews the quarterly (unaudited) financial results, annual accounts, before submitting to the Board of Directors. During the year 2010-11, six meetings were held on 1st April, 2010, 29th May, 2010, 2nd August, 2010, 12th August, 2010, 12th November, 2010 and 11th February, 2011.

The constitution of the committee and the attendance of each member of the committee are given below :

Names	Designation	Category	Committee Meeting Attended
Mr. V. K. Keshari	Chairman	Independent	6
Mr. J. N. Dey	Member	Independent	6
Mr. R. K. Jain	Member	Independent	6