

ANNUAL REPORT & ACCOUNTS



GRAND FOUNDRY LIMITED

2007-2008

Grand Foundry Ltd.

GRAND FOUNDRY LIMITED

BOARD OF DIRECTORS	:	Shri Dhirajlal B. Jangla (Chairman) Shri. Kiran D. Jangla (Managing Director) Shri. Hiten D. Jangla (Joint Managing Director) Shri. Sushil Kumar Saraf Shri. Bidhan Gujrati
AUDITORS	:	Thaker Butala Desai Chartered Accountants Ismail Building, 2 nd Floor, 381, Dr. Dadabhai Naoroji Road, Mumbai - 400 001
REGISTERED OFFICE	:	327, Arun Chambers 3 rd Floor, Tardeo Mumbai - 400 034
BANKERS	:	ICICI Bank Free Press Bldg Free Press Jm.Road, Nariman Point, Mumbai - 400 021
DATE OF ANNUAL GENERAL MEETING	:	30 th September, 2008
TIME	:	10.00 A.M.
VENUE	:	327, Arun Chambers 3 rd Floor, Tardeo Mumbai - 400 034

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of GRAND FOUNDRY LIMITED will be held at 327 Arun Chambers, 3rd Floor, Tardeo, Mumbai - 400 034 on Tuesday 30th day of September, 2008 at 10.00 A.M to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the Reports of the Auditors' and the Directors' thereon.
2. To appoint a Director in place of Mr. Dhirajlal Jangla, who retires by rotation and being eligible, offers himself for re - appointment.
3. To appoint the Auditors to hold office from the conclusion of this meeting until conclusion of the next Annual General Meeting and to authorize Board to fix their remuneration.

"**RESOLVED THAT THAKER BUTALA DESAI**, Chartered Accountants, Mumbai, being retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of the ensuing Annual General Meeting until conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, in addition to reimbursement of service tax and all out of pocket expenses in connection with the audit of the Accounts of the Company, which remuneration may be paid on progressive billing basis to be agreed between the Auditors and the Board of Directors."

Place : Mumbai

By order of the Board

Date : 27/08/2008

DHIRAJLAL B. JANGLA
Chairman

Registered Office:
327, Arun Chambers,
3rd Floor, Tardeo,
Mumbai - 400 034.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by a show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000. A proxy shall not vote except on a poll. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting in annexed hereto.
3. Members /Proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from September 23, 2008 to September 30, 2008 (both days inclusive) for the purpose of Annual General Meeting.
5. Members holding shares in physical form and desirous of making/changing nomination in respect of their shareholding in the Company, may send their request in the prescribed form 2B to the Registrar & Transfer Agents of the Company.
6. Corporate Members are requested to send to the Company, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General meeting.
7. Members desirous of obtaining any information on the Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be compiled in advance.
8. Members are requested to notify changes, if any, in their registered addresses along with the pin code to the Company's Registrar and Share Transfer Agent.
9. Members are requested to bring their copy of Annual Report to the Meeting.
10. All documents referred to in the notice and explanatory statement are open for inspection at the registered office of the Company between 10.30 a.m. and 1.00 p.m. on all working days upto the date of the meeting.
11. Members whose shareholding is in electronic mode are requested to direct change of address notifications and updations of savings bank account to their respective Depository Participants.

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12. Member are requested to address all correspondences, including dividend matters, to the Registrar and Share transfer Agents, M/s. Computech Sharecap Limited, 47, M.G. Road, 3rd Floor, Opp. Jehangir Art Gallery, Fort, Mumbai – 400023. Tel No. 022-22671824/25. Fax No.22635000.
13. As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Registrar and Transfer agents of the Company.
14. Members seeking any information or clarifications on the Annual Report are requested to send in written queries to the Company at least one week before the meeting to enable the Company to compile the information and provide replies at the meeting.

Place : Mumbai

By order of the Board

Date : 27/08/2008

DHIRAJLAL B. JANGLA
Chairman

Registered Office:
327, Arun Chambers,
3rd Floor, Tardeo,
Mumbai – 400 034.

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DIRECTORS' REPORT

The Members of
GRAND FOUNDRY LIMITED

Your Directors present herewith the Sixteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS

	(Amount in Rs. in Lacs.)	
	<u>F.Y. 2007-08</u>	<u>F.Y.2006-07</u>
Profit/(Loss) before interest, depreciation and taxation	(230.18)	540.43
Less: Interest & Finance Charges	109.38	174.18
Depreciation	21.35	21.57
Profit/(Loss) for the year	(153.74)	344.68
Add: Prior Period Income	Nil	Nil
Less: Deferred Tax Asset (Net)	(256.99)	Nil
	<u>(410.74)</u>	<u>344.68</u>
Add: Remission of Loan on Settlement	Nil	1319.04
Balance Brought Forward	(2058.92)	(3722.64)
	<u>(2469.65)</u>	<u>(2058.92)</u>
Add: Provision for Subsidiary Company's losses	Nil	Nil
Add: Diminution of Value of Investments	0.00	(0.00)
Debit Balance carried to Balance Sheet	<u>(2469.65)</u>	<u>(2058.92)</u>

2. MANAGEMENT DISCUSSION AND ANALYSIS

a) INDUSTRY STRUCTURE AND DEVELOPMENTS:

Your Company is engaged in the business of manufacturing Bright Steel Bars and wires and is in the market to sell domestically and in exports since 1974. The Quality control and manufacturing process consist of in-house treatment and has standard quality name for more than 2 decades. Due to financial constraints, the company is been depending on business of processing steel on job work basis to maintain better economics and has successfully been able to achieve job work production. The Company also has indulged in the special heat treatment job in order to establish future market of Hardened & Tempered steel for exports as well as domestic, which will pave the path of revival and re-instating the strength of the company.

DOMESTIC MARKET:-

There has been a substantial change of steel requirement in the domestic as well as international market for the consumption of Bright Steel Bars and wires. Majority of Bright Steel Bars and wires are used for making the various kinds of components for Automotive industry, Machinery manufacturing industry, Dairy & food processing industry, chemical and fertilizer industry, electronics and electrical appliances industry along with computer industry. Due to global interaction and industrial change in domestic market, various companies have invested especially in automobile industry and electrical appliances industry along with computer industry.

As your company has been well versed with international business, quality specifications, end market trends, which will be convenient and easy for the company to capture such trends. Various trial orders and sample approvals and certain bulk supplies have been established during the year to continue the pace with domestic market.

INTERNATIONAL MARKET:-

The Company is well established for selling and marketing Stainless Steel Bright Bars internationally in most of the developing countries and has maintained their market share. In the international scenario for Stainless Steel Bright Bars business has been on the greater recessionary trend for more than 5 years due to which the company has to go through the constant survival problems. But, at the same time, due to long term standing in the market, the company has been able to maintain its market outside India for Stainless Bright Bars and capturing orders and executing the same with the various financial arrangements. Short term spurts of improved demand has been affecting the company to regain its position from time to time in the international market, but the consistent improvement has been lacking in the international market since long time. The company has still been able to remain in the market even with these trends as well recessionary trends. As known worldwide, Indian steel has faced a lot of anti-dumping suits for Bright Steel Bars from European Community, U.S.A., Canada, the company has successfully being able to fight

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such anti-dumping petition and retain reasonable supplies to these countries and struggle to retain its position even at low profitability.

b) **OPPORTUNITIES AND THREATS**

OPPORTUNITIES

- The company is engaged in the business since more than thirty years and has expertise for marketing and quality maintenance of international quality standards for more than 2 decades and enjoys the market share in developed countries like United States and European market.
- The company is continuously sourcing economical raw materials from China and Russia to compete the international market for exports.

THREATS

- As the major product of the company is made of Stainless Steel carrying high nickel (metal) which is a sensitive item quoted in LME (London Metal Exchange), the fluctuation may affect the business opportunities and its profitability.
- As company's major business is depending on exports the fluctuation in foreign currency may also affect the profitability.

c) **SEGMENT-WISE PERFORMANCE**

The Company has in the last 5 years developed various heat treatment processes and successfully supplied commercial lots of heat-treated bars to specific standards in the international market in American, German standards. The scope of business is huge and normal, as this product is utilized and acceptable for various applications in the Engineering industries including Petro-Chemical, Oil & Natural gas and Automotive industries worldwide. The company is looking for better profitability business and this kind of supplies keeping the edge over the other competitors. Stringent quality standards and method of processing has been introduced to achieve better reliability and traceability for these kind of products which is mandatory for extending marketing. The international players and competitors for such products are from Italy, Spain and Korea, but with such renowned and established competitors, the company has been able to stand in the international market, establishing its product range internationally.

d) **OUTLOOK**

The manufacturing facility of the company has been suspended temporarily and the new location for the business activity is defined at Nagpur. The company is currently earning income from outsourcing, marketing exports and earning commission income from the same.

The company will be thus restoring manufacturing in the coming two years.

e) **INTERNAL CONTROL SYSTEMS**

The Company has adequate Internal Control systems, which provide, inter-alia, reasonable assurance of recording the transactions of its operations in all material respects and providing protection against misuse or loss of Company assets.

f) **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Total Income achieved during the year under review is Rs. 31.62 lakhs as against Rs. 556.23 lakhs in the previous year. During the previous year the major source of income consisted of exports /sales whereas, in the current year commission has been derived from outsourcing, marketing exports and the exports/sales have been passed onto the fellow industries to maintain the marketing strength of the company.

g) **HUMAN RESOURCES**

Since 1998, the company has been registered with BIFR and declared Sick due to wiping of the reserves taking the losses over the period of 3 years of recession. The Company has approached the BIFR and their operating agent for the re-structuring in order to survive. The final scheme is in consideration for the approval. In the meantime, the company had maintained more than 300 employees since 1998, reducing from approx. 500 prior to going to BIFR. The company has successfully executed the VRS in the year 2001-02 and have employed the required strength after the execution of VRS and brought the number of employees to the tune of approx. 100 from April 2002. Due to this step, the company is looking forward to re-work its economies meeting the production levels with considerable reduced cost of production. But, at the same time the company is very conscious of the need, not only control head count but also to further reduce the manpower the vacant positions of separated employees are being filled up only based on urgent necessity under unavoidable circumstances while re-deployment of the existing staff is done on continuous basis. This step will pave its path to greater achievements in the near future.

3. **ACCEPTANCE OF DEPOSIT (SEC-58A)**

The Company has not invited/accepted any deposits from public coming under the purview of section 58-A of the companies Act, 1956.

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4. CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance together with a Certificate from Practicing Company Secretaries is annexed as part of the Annual Report.

5. COST AUDIT

The company is not required to undertake the cost audit as required under Section 233 B of the Companies Act, 1956.

6. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 that

- In the preparation of the Annual Accounts for the year ended March 31, 2008, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- The Directors 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 ended March 31, 2008 and of the loss of the Company for that year.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the Annual Accounts for the year ended March 31, 2008, on a going concern basis.

7. DIRECTORS

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956 Mr. Dhirajjal Jangla retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Your Directors recommend his re-appointment.

8. STATUTORY AUDITORS

You are requested to appoint Auditors for the current year and fix their remuneration. The Auditors of the Company, THAKER BUTALA DESAI, Chartered Accountants retire at ensuing Annual General Meeting of the Company and have given their consent for re-appointment. The Company has also received a certificate from them under Section 224(1B) of the Companies Act, 1956.

9. SUBSIDIARY COMPANY

In accordance with Section 212 of the Companies Act, 1956, the audited statement of accounts of the Company's subsidiary GRAND BRIGHT BARS LIMITED together with Reports of the Directors' and Auditors' thereon for the year ended 31st March, 2008 are annexed hereto and form part of this report.

10. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of GRAND FOUNDRY LIMITED, and its subsidiary GRAND BRIGHT BARS LIMITED prepared in accordance with Accounting Standard 21 is annexed. Consolidated net loss for the group for the year ended March 31, 2008 amounted to Rs. 153.74 lacs (as compared to net profit in the previous year Rs. 344.68 lacs)

11. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is as follows:

POWER & FUEL OIL CONSUMPTION

	2007-2008	2006-2007
1. Electricity Consumption		
Purchased units	NIL	NIL
Total amount Rs. Lacs		
Rate/unit Rs. Kwh		
2. LDO		
Quantity (KL)	NIL	NIL
Total amount Rs. Lacs		
Rate Rs/KL		
(As recovered from party)		

There were no foreign exchange earnings and outgo during the period under the consideration.

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12. PARTICULARS OF EMPLOYEES

Since none of the employees of the Company was drawing remuneration in excess of limits laid down pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, details therewith are not furnished.

13. PERSONNEL

Your Directors place on record their appreciation to the sincere and dedicated services put in by the employees of the Company at all the levels and in all the departments of the Company.

14. BANKERS

The Directors place on record their appreciation for the support and co-operation received from all the Bankers.

For and on behalf of the Board of Directors

DHIRAJLAL B. JANGLA
Chairman

Date : 27/08/2008

Place : Mumbai.

Registered Office:

327, Arun Chambers,
3rd Floor, Tardeo,
Mumbai – 400 034.

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REPORT OF CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. Company's philosophy on Corporate Governance

Your Company GRAND FOUNDRY LIMITED has always been committed to the highest level of corporate governance and believes in strengthening Investors trust and thereby ensuring a long-term partnership with them. The Company's philosophy on Corporate Governance is founded upon rich legacy of fair, ethical & transparent Governance practice.

Our philosophy on Corporate Governance is based on the following:

1. Management is the trustee of the shareholder's capital and not the owner.
2. Be transparent and maintain a high degree of disclosure levels.
3. Make clear distinction between personal conveniences and corporate resources.
4. Satisfy the spirit of law and not just the letter of the law.

Board of Directors

a. Size and Composition of Board

The composition and category of Directors as on March 31, 2008 are as under:-

Name of Directors	Category	No. of Directorships in other Companies		No. of Membership/Chairmanship of other Board Committees	
		Public	Private	Member	Chairman
Mr. Dhirajlal B. Jangla	Chairman & Executive	7	-	2	-
Mr. Kiran D. Jangla	Managing Director & Executive	8	-	2	-
Mr. Hiten D. Jangla	Joint Managing Director & Executive	8	-	1	-
Mr. Sushil Kumar Saraf	Independent Director & Non- Executive	1	-	1	-
Mr. Bidhan Gujrati	Independent Director & Non- Executive	-	1	-	-

b. Attendance at Board Meeting and Annual General Meeting :-

During the accounting year 2007-08, four Board Meetings were held on April 30, 2007, July 31, 2007, October 31, 2007, January 30, 2008.

The Annual General Meeting of the Company for the financial year 2006-2007 was held on September 29th, 2007.

Attendance at Board Meeting and last Annual General Meeting:-

Name of Directors	No. of Board Meetings attended	Attendance at last AGM
Mr. Dhirajlal B. Jangla	4	Present
Mr. Kiran D. Jangla	4	Present
Mr. Hiten D. Jangla	4	Present
Mr. Sushil Kumar Saraf	4	Absent
Mr. Bidhan Gujrati	4	Absent

c. Board's Functioning & Procedures:-

The Board has complete access to any information within the Company. At meetings of the Board, it welcomes the presence of Managers who can provide additional insights into the items being discussed.

The items placed at the Meeting of the Board include the following:-

- Unaudited Quarterly/half yearly financial results and audited annual accounts of the company including segment wise revenue, results and capital employed, for consideration and approval,
- Minutes of meetings of audit, share holders grievance committee and remuneration committee,
- General notices of interest,
- Sale and/or purchase of investments, fixed assets.
- Related party transactions,
- Reviewing the company's financial and risk management policies.
- Reviewing the business plan and strategy of the Company.

All the items in the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial /business plans, financial results, detailed presentations are made. The Agenda and the relevant notes are sent in advance separately to each Director to enable the Board to take informed decisions.

The Minutes of the Meetings of the Board are circulated through email to all Directors and confirmed at the subsequent Meeting. The Minutes of the Audit committee and shareholders' grievance committee are also individually given to the Board Directors and thereafter tabled for discussion at the subsequent Board Meeting.

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3. Audit Committee

Audit committee acts as a link between the statutory and internal auditors and the Board of Directors. The primary objective of the audit committee is to provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures. The Board of Directors of the Company has constituted an Audit Committee. The terms of reference to the Audit Committee covers the matters specified under Clause 49 of the Listing Agreement.

a. Size and Composition:-

The Board constituted an Audit Committee of Directors having Mr. Dhirajlal B. Jangla, Non - Executive Director as Chairman of the Committee, Mr. Sushil Kumar Saraf and Mr. Bidhan Gujarati as Non - Executive Independent Directors. The members of the Committee are well versed in finance / accounts, legal matters and general business practices.

b. Attendance at the Audit Committee Meetings:-

During the accounting year 2007-08, four Board Meetings were held on April 30, 2007, July 31, 2007, October 31, 2007, January 30, 2008.

Name of Directors	No. of Audit Committee Meetings attended
Mr. Dhirajlal B. Jangla	4
Mr. Sushil Kumar Saraf	4
Mr. Bidhan Gujarati	4

c. The functions of the Audit Committee include the following:-

- Reviewing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other expenses.
- Reviewing with management the annual / half-yearly / quarterly financial statements before submission to the Board.
- Reviewing with management, external and internal auditors, the adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading of the department, reporting structure coverage and frequency of internal audit.
- Discussion with external auditors before the audit, any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors.
- Related party transactions.
- To review the matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- To review the Management discussion and analysis of financial condition and results of operations.
- To recommend re-appointment of Statutory Auditors and to fix their remuneration.

All the items in the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial /business plans, financial results, detailed presentations are made. The Agenda and the relevant notes are sent in advance separately to each Member to enable the Committee to take informed decisions. The Minutes of the Meetings of the Committee are circulated through email to all Directors and confirmed at the subsequent Meeting.

The Statutory Auditors and Managing Director - Mr. Kiran Jangla are invitees to the Audit Committee Meetings.

4. Remuneration Committee

The Board of Directors has constituted a Remuneration Committee to determine the remuneration payable to the Managing Director taking into account their qualification, experience, contribution and the prevailing level of remuneration in companies of corresponding size and nature.

5. Shareholders Grievance Committee

The committee has the mandate to review, redress shareholders' grievances, to approve all share transfers.

a. The functions of the Shareholders' grievance committee include the following:-

- Transfer /transmission of shares,
- Issue of duplicate share certificates,
- Review of shares dematerialized and all other related matters,
- Monitors expeditious redressal of investors' grievances,
- Non receipt of Annual report.