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**ANNUAL REPORT & ACCOUNTS**

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**GRAND FOUNDRY LTD.**

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**2011 - 2012**

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## **Grand Foundry Ltd.**

### **GRAND FOUNDRY LIMITED**

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|---------------------------------------|---|---|
| <b>BOARD OF DIRECTORS</b>             | : | Shri Dhirajlal B. Jangla<br>(Chairman)  |
|                                       | : | Shri Kiran D. Jangla<br>(Managing Director)   |
|                                       | : | Shri Hiten D. Jangla<br>(Joint Managing Director)   |
|                                       | : | Shri Bidhan Gujarati  |
| <b>AUDITORS</b>                       | : | Thaker Butala Desai<br>Chartered Accountants<br>Ismail Building, 2 <sup>nd</sup> Floor,<br>381, Dr. Dadabhai Naoroji Road,<br>Mumbai – 400 001. |
| <b>REGISTERED OFFICE</b>              | : | 327, Arun Chambers<br>3 <sup>rd</sup> Floor, Tardeo<br>Mumbai-400 034.  |
| <b>BANKERS</b>                        | : | Indian Overseas Bank<br>2003/C93<br>Breach Candy,<br>Mumbai – 400 026.  |
| <b>DATE OF ANNUAL GENERAL MEETING</b> | : | 28 <sup>th</sup> September, 2012  |
| <b>TIME</b>                           | : | 11.00 A.M.  |
| <b>VENUE</b>                          | : | 327, Arun Chambers<br>3 <sup>rd</sup> Floor, Tardeo<br>Mumbai –400 034.   |

## Annual Report 2011-2012

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the members of GRAND FOUNDRY LIMITED will be held at 327 Arun Chambers, 3rd Floor, Tardeo, Mumbai-400034 on Friday the 28th day of September, 2012 at 11.00 A.M to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, 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. Bidhan Gujarati, 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.
4. Any other matter with the permission of the Chairman.

Place : Mumbai  
Date : September 05, 2012

By order of the Board

DHIRAJLAL B. JANGLA  
Chairman

**Registered Office:**  
327, Arun Chambers,  
3<sup>rd</sup> 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 20, 2012 to September 28, 2012 (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

## Grand Foundry Ltd.

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.
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.
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  
Date : September 05, 2012

By order of the Board

DHIRAJLAL B. JANGLA  
Chairman

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

### INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT OF A DIRECTOR.

Mr. Bidhan Gujarati joined the Board from 2005. Mr. Bidhan Gujarati aged 39 years is commerce graduate an Independent and Non- Executive Director of our Company and has an experience in Administrative and Finance Department.

**DIRECTORS' REPORT**

The Members of  
**GRAND FOUNDRY LIMITED**

Your Directors present herewith the Twentieth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2012.

**1. FINANCIAL RESULTS**

(Amount in Rs. in Lacs.)

|  | 2011-2012    | 2010-2011    |
|--|--------------|--------------|
| Profit/(Loss) before Interest, Depreciation and Taxation | 0.15039      | 112.60964    |
| Less : Interest & Finance Charges                        | 120.67635    | 285.95527    |
| Depreciation   | 20.27809     | 20.32271     |
| Profit/(Loss) for the year                               | (140.80395)  | (193.66359)  |
| Less : Prior Period Expenses                             | 0.50348      | 2.75475      |
| Less : Deferred Tax Asset (Net)                          | (8595949)    | (702.39919)  |
| Balance Brought Forward                                  | (2466.5161)  | (1567.83408) |
| 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                   | (2521.99955) | (2466.65159) |

**2. MANAGEMENT DISCUSSION AND ANALYSIS****a) INDUSTRY STRUCTURE AND DEVELOPMENTS:**

Our 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

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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 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 & to compete the international market for exports. These efforts & expertise is been used for earning income by means of conducting Business for M/s D.H. Exports Private Limited for last 3 year till the year 2011-12.

### 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 now fully in operation and the new location for the business activity is defined at Nagpur/Bhandara. The Company is currently earning income from outsourcing, manufacturing & marketing exports and earning commission income from the same & doing dedicated job processing for M/s Sunflag Iron & Steel Ltd well known Manufacturer of Alloy & Special Steel.

### 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 268.87 lacs as against Rs. 321.16 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 the exports / sales passed onto fellow industries to maintain the marketing strength of the Company

Further with the latest update available, against the order of BIFR dated 21.12.2009 the company appealed before AAIFR. AAIFR set aside the impugned order and remand the case to the BIFR with the direction to consider the DRS submitted by the appellant company and proceed further in accordance with Law with AAIFR Order dated 22.03.2012.

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

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

**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

- a) In the preparation of the Annual Accounts for the year ended March 31, 2012, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- b) 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, 2012 and of the profit of the Company for that year.
- c) 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.
- d) The Directors have prepared the Annual Accounts for the year ended March 31, 2012, 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. Bidhan Gujarati 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 are eligible for re-appointment.

**9. 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:

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## POWER & FUEL OIL CONSUMPTION

### 1. Electricity Consumption

Purchased units

2011-2012

2010-2011

Total amount Rs. Lacs

NIL\*

NIL

Rate/unit Rs. KHz

### 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.

### 10. 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 herewith are not furnished.

### 11. 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 the departments of the Company.

### 12. BANKERS

The Directors place on the 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

Place: Mumbai

Date: September 05, 2012

Registered Office:

327, Arun Chambers,

3<sup>rd</sup> Floor, Tardeo,

Mumbai - 400034.



**REPORT OF CORPORATE GOVERNANCE 2011-2012**

(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. Your Company believes in adopting the best corporate governance practices and protecting rights and interests of stakeholders. We further believe that the shareholders have the right to know the complete information on the Board of Directors and the management, their interest in the organization as well as governance practice to be followed by them.

Our governance philosophy is based on the following:-

1. Provide an enabling environment to harmonise the goals of maximizing stakeholder value and maintaining a customer centric focus.
2. Have a simple and transparent corporate structure driven solely by business needs.
3. Communicate externally, in a truthful manner, about how the company is run internally.
4. Make clear distinction between personal conveniences and corporate resources.
5. Be transparent and maintain a high degree of disclosure levels in all facets of its operations.
6. Satisfy the spirit of the law and not just the letter of the law.

The Company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its Directors, who are expected to act in the best interests of the Company and remain accountable to shareholders and other beneficiaries for their action.

**2. Board of Directors**

The Business of the Company is managed by a Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on consistent basis. The Managing Director manages the day-to-day operations of the company.

**a. Size and Composition of Board**

The Board of Directors has the ideal composition with more than half of the directors being Non-Executive Directors. The Non Executive Directors brings external and wider perspective confirming therewith in depth business deliberations and decisions advantage.

The composition and category of Directors as on March 31, 2012 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                  | 4                                       | -       | 3   | -        |
| Mr. Kiran D. Jangla     | Managing Director & Executive         | 4                                       | 2       | 4   | -        |
| Mr. Hiten D. Jangla     | Joint Managing Director & Executive   | 2                                       | 1       | 2   | -        |
| Mr. Bidhan Gujarati     | Independent Director & Non- Executive | -                                       | 1       | -   | -        |

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

During the accounting year 2011-12, Four Board Meetings were held on April 25, 2011, August 30, 2011, November 10, 2011, and March 05, 2012.

The Annual General Meeting of the Company for the financial year 2010-2011 was held on September 29<sup>th</sup>, 2011.

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 | 5                              | Present                |
| Mr. Kiran D. Jangla     | 5                              | Present                |
| Mr. Hiten D. Jangla     | 5                              | Present                |
| Mr. Bidhan Gujarati     | 5                              | Present                |

# Grand Foundry Ltd.

## c. Board's Functioning & Procedures:-

Board Members are given appropriate documents and information in advance of each Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director reviews the overall company performance.

The functions performed by the Board include the review of:

- > 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,
- > Abstracts of circular resolutions passed,
- > General notices of interest,
- > Strategy and Business Plans
- > Sale and/or purchase of investments, fixed assets.
- > Compliance with statutory/ regulatory requirements and review of major legal issues
- > Review compliance of all laws applicable to the Company including the requirements of the Listing Agreement with the Stock Exchanges and steps taken by the Company to rectify instances of non compliances, if any.
- > 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.

## 3. Audit Committee

Audit committee acts as a link between the statutory and internal auditors and the Board of Directors. The Audit Committee has the members with sound knowledge of finance, accounting and law. 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 Committee deals with accounting matters, financial reporting and internal controls. The power and role of the Audit Committee is as per guidelines set out in the amended listing agreements. The Board of Directors of the Company has constituted an Audit Committee.

### a. Size and Composition:-

The Board constituted an Audit Committee of Directors having Mr. Dhirajlal B. Jangla – Non- Executive as Chairman of the Committee, Mr. Kiran B. Jangla – Managing Director, Mr. Hiten D. Jangla - Joint Managing Director & Executive 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 2011-12, four Audit Committee Meetings were held on May 02, 2011, September 05, 2011, October 25, 2011 and March 1, 2012

| Name of Directors       | No. of Audit Committee Meetings attended |
|-------------------------|--|
| Mr. Dhirajlal B. Jangla | 4  |
| Mr. Kiran B. Jangla     | 4  |
| Mr. Hiten D. Jangla     | 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.