



# Annual Report 2005-2006



#### ■ Board of Directors

Mr. Kailash Shahra

Mr. Santosh Shahra

Mr. Umesh Shahra

Mr. P.S. Santhanakrishnan

Mr. Ashok Khasgiwala

Mr. Veer Kumar Jain

Mr. Gopal Singh

- Chairman
- Vice - Chairman
- Managing Director
- Director
- Director
- Director
- Director (Nominee IFCI Ltd.)

#### ■ Company Secretary

Mr. I.L.Kalantri

#### ■ Auditors

Arun Maheshwari & Company

8/9, Mahesh Nagar, Indore

#### ■ Registered Office

611, Tulsiani Chambers,

Nariman Point,

Mumbai - 400 021

#### ■ Registrar & Share Transfer Agent

Sarthak Global Limited

Avanti House, 170/10, Film Colony,

R.N.T. Marg, Indore (M.P.) 452 001

#### ■ Factory

Village : Sejwaya

District : Dhar (M.P.)

#### ■ Bankers

State Bank of India

State Bank of Saurashtra

State Bank of Indore

Dena Bank

The Jammu & Kashmir Bank Ltd.

United Bank of India

Members are requested to bring their copy of Annual Report alongwith them at the General Meeting.

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Annual General Meeting will be held on  
Wednesday, 27<sup>th</sup> September, 2006 at 11.30 A.M.  
at Sunvile Delux Pavillion, Sunvile Building,  
9 Dr. Annie Besant Road Worli, Mumbai - 18



## NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of the Company will be held on Wednesday, 27<sup>th</sup> September 2006 at 11.30 a.m. at Sunvile Deluxe Pavillion, Sunvile Building, 9, Dr. Annie Besant Road, Worli Mumbai-400 018 to transact the following business ;

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended as on 31st March, 2006 together with the Report of Directors & Auditors thereon.
2. To appoint a Director in place of Shri Santosh Shahra, director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Ashok Khasgiwala, director who retires by rotation and being eligible offers himself for reappointment.
4. To appoint statutory auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of Next Annual General Meeting of the Company and to fix their remuneration.

### SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to provisions of section 198, 269, 309 and 310 of the Companies, Act, 1956 read with Schedule XIII to the Companies Act, 1956 and other applicable provisions of the Act, approval of members of the Company be and is hereby accorded to increase the remuneration of Shri Umesh Shahra, Managing Director of the Company, to Rs. 1,50,000 /- p.m. w.e.f. 1<sup>st</sup> April, 2005;

**RESOLVED FURTHER THAT** other terms and conditions of appointment shall remain unchanged as approved by the members of the Company at their meeting held on 26<sup>th</sup> July, 2003;

**RESOLVED FURTHER THAT** Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and matters as may be considered necessary or deemed fit in this regard.

By Order of the Board

Date : 31.07.2006

### Registered office:

611, Tulsiani Chambers,  
Nariman Point, Mumbai

**Umesh Shahra**  
Managing Director

### NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The proxy from duly completed and signed should be deposited at the registered office of the company not less than 48 Hours before the time fixed for the meeting.
3. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.



# **EXPLANATORY STATEMENT PURSUENT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

## **Item No. 5**

The memers of the Company had re-appointed Shri Umesh Shahra as the Managing Director of the Company for a period of five years with effect from 1st October, 2003 at their meeting held on 26th July, 2003.

In view of increase in cost of living, trend in industry, qualification, experience etc. of Shri Umesh Shahra, remuneration committee of the Company vide its meeting held on 31st January 2006 have approved in increase in its remuneration to Rs. 1,50,000/- p.m. w.e.f. 1st April, 2005.

According to the provisions of Schedule XIII to the Companies Act, 1956, in case of inadequacy of profits approval of remuneration committee and approval of the members of the Company is required for increase in remuneration to a limit as specified therein. The increase in remuneration of Shri Umesh Shahra, as Managing Director of the Company is in accordance with the provisions of Schedule XIII to the Companies Act, 1956. Hence this resolution for the approval of members of the Company.

The explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of contract of appointment of the Managing Director in accordance with the provisions of sub-section(2) of the section 302 of the Companies Act. 1956.

None of the Directors except Shri Umesh Shahra, Shri Santosh Shahra and Shri Kailash Chandra Shahra are interested in the resolution.

The Board of Directors recommend the proposed resolution for your approval.

By Order of the Board

Date : 31.07.2006

## **Registered office:**

611, Tulsiani Chambers,  
Nariman Point, Mumbai

**Umesh Shahra**  
Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

Your Company is engaged in the business of manufacturing the cold rolled steel coils and sheets matching the International Standards, in the wide range low carbon, mild steel CR products, in thickness ranging from 0.11 mm to 2.00 mm & upto a maximum width of 1000 mm, both in Coil & Sheet form. Your company is also one of the few Indian manufacturers of ultra thin 0.11, 0.14 CR Coil extensively used for galvanising. The company is also manufacturing CR Coils & Sheet and is known for their close gauge tolerances, superior finish & perfect flatness, free of stretcher strains. They are Bright and Matt finish, in annealed or full hard temper. Major grades manufactured are O, D, DD & EDD of non-aging, critical & super EDD CRCA, automobile structure grades, TMBP, Galvanising Grades, porcelain Enameling, Corrosion, Resistance grade etc.

### Industry Outlook :

The outlook of the industry is positive looking to the change in economic scenario. The perception about the performance of the steel industries has improved and better performance is expected in the years to come. With the increase in demand of company's product and focus on core business activities, we feel that the overall performance will be satisfactory.

### Risk and concerns :

Profitability may be affected on account of competition from existing and prospective manufacturers of the Company's products. The Company is exposed to risks from market fluctuation of foreign exchange also. Change in duty structure may affect adversely. Non removal of Non- Tariff Barriers and Floor prices for the import of Hot Rolled Coils may affect the Company's performance adversely.

### Internal Control Systems and Adequacy :

The Company has good internal control systems, which is being recognised and company have been awarded ISO : 9001, the adequacy of which has also been reported by its auditors in their report as required under the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India. Adequate system of internal control is in place of which assures us of

- Proper recording and safeguarding of assets.
- maintaining proper accounting records and reliability of financial information.

### Developments in Human Resources and Industrial Relations :

The Industrial relations climate of the company continues to remain harmonious and cordial with focus on improving productivity, quality and safety .

### Financial and Operating performance :

Summarised Profit and Loss Account for the year ended 31<sup>st</sup> March, 2006 is as under :

	31.03.2006	(Rs. In lacs) 31.03.2005
<b>1. Financial Results</b>		
Sales & Other Income	<b>28615.22</b>	29285.15
Gross Profit	<b>524.55</b>	835.55
Depreciation and Interest	<b>503.68</b>	541.63
Profit before Tax	<b>20.87</b>	293.92
Provision for Tax	<b>12.25</b>	23.05
Deferred Tax Liability	<b>7.56</b>	86.03
Profit after Tax	<b>1.06</b>	184.84

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During the year under review, the sales and other income was Rs. 28615.22 lacs as compared to the previous year figures of Rs. 29285.15 lacs. The production of finished goods was 63676.189 MT during the year 2005-06 as compared to 72623.839 MT during the previous year. The production of job work conversion in the year was 9.430 MT as against 10755.300 MT in previous year.

Fiscal 2005-06 was a tough year for the steel industry as a whole. The steel industry being squeezed from both the sides, raw material prices and finished goods prices. The increase in raw material prices could not be absorbed in finished goods prices. These factors effected adversely on the revenue and profit of the company. The decision of the Government to restrict load on vehicles and increase in fuel prices also adversely effected operations of the company.

#### **Segment -wise Performance:**

The segment-wise performance is available in Schedule Q accounting policies and notes on accounts to the Audited Accounts of the company.

Statements in this "Management Discussion and Analysis" describing the Company's objectives, expect or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the company's operation include raw material availability and prices, changes in government regulations, tax regimes ,economic developments in India and the countries in which the Company conduct business and other incidental factors.





## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

Ruchi Strips and Alloys Limited (RSAL) has always believed in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and others. We have always aimed to build trust with shareholders, employees, customers, suppliers and diverse stakeholders and to meet the expectations of various elements of corporate environment. We believe the transparent and fair corporate actions with adequate disclosure and total accountability.

RSAL has been discharging its statutory obligations and duties and has always complied with the statutory and regulatory requirements. Given below are the company's corporate governance policies and practices in accordance with the provisions of clause 49 of the Listing Agreement.

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

#### A. MANDATORY REQUIREMENTS

##### 1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate Governance lead to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

2. RSAL Board presently consists of a majority of non-executive/independent directors, many of whom are acknowledged as leading professionals in their respective fields. The Board comprises of one (1) executive director, two (2) non-executive directors, three (3) independent directors and one (1) professional Director.

Name of Director	Executive/Non-Executive/Independent*	No. of other Directorship* (Chairman)	Membership of other Board Committees (Chairman)
Kailash Chandra Shahra	Non-Executive	5(5)	3(1)
Santosh Kumar Shahra	Non-executive	8	-
Umesh Shahra	Executive	7	1
P.S. Santhanakrishnan	Independent	6	4 (1)
Ashok Khasgiwala	Professional	1	-
Veer Kumar Jain	Independent	1	-
Gopal Singh ( IFCI Nominee)	Independent	-	-

# This includes directorship held in Public Limited Companies and subsidiaries of Public Limited Companies and excludes directorship held in Private Limited Companies and Overseas Companies





### Attendance of Directors Board Meetings and Annual general Meeting

The Board of the Company met five times during the last financial year, on the following dates;

30.04.2005, 30.06.2005, 30.07.2005, 29.10.2005, 30.01.2006

The Attendance at the Board Meetings and Annual General Meeting were as under:

Name of Director	Attendance	
	Board Meeting	AGM
Kailash Chandra Shahra	4	✓
Santosh Kumar Shahra	4	X
Umesh Shahra	4	✓
P.S.Santhanakrishnan	-	✓
Ashok Khasgiwala	5	✓
Veer Kumar Jain	5	✓
Gopal Singh	2	X

### 3. Remuneration to Directors

#### (a) Remuneration of Managing Director

The terms of remuneration of Shri Umesh Shahra, Managing Director is already been fixed by the board of directors and approved by the shareholders. During the financial year 2005- 2006 the particulars of remuneration paid to Shri Umesh Shahra, Managing Director is as under: -

Particulars of remuneration:

1. Salary:	Rs. 14,40,000/-
2. Allowances	Rs. 3,60,000/-
3. Contribution to Provident & other Fund	Rs. 1,72,800/-

Remuneration of non-executive directors :

During the financial year 2005-2006, sitting fees paid to non-executive directors amounted to Rs.11500/-.

As approved by the Board of Directors in accordance with the Articles of Association of the Company, the non-executive directors are paid a sitting fee of Rs.500/- for every meeting of the board or committee attended by them. No commission was paid or payable to the non-executive directors during the financial year 2005-2006.



#### 4. Audit Committee

Audit committee met four times during the financial year 2005-06. The dates are as follows :

30.06.2005; 30.07.2005; 29.10.2005; 30.01.2006

The constitution of the Committee and the attendance of each member of the Committees is given below:

Name	Designation	Non-executive/ Independent	Profession	Committee Meetings Attended
Ashok Khasgiwala	Chairman	Professional Director	Chartered Accountant	4
P.S.Santhanakrishnan	Member	Independent Director	Retd. Bank Professional	0
Veer Kumar Jain	Member	Independent Director	Advocate	4

The terms of reference of the Audit Committee includes the following;

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors.
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board ;
- To investigate into any matter in relation to items specified in section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary ;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

#### 5. Shareholders/Investors Grievance Committee

The Board has constituted an 'Investors Grievance Committee' which looks into shareholders and investors grievances. The following are the members of the Committee:

Name	Designation	Executive/Non-executive/Independent
Shri Kailash Shahra	Chairman	Non-Executive
Shri Umesh Shahra	Member	Executive
Shri P.S.Santhanakrishnan	Member	Non Executive & Independent