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**TWENTIETH ANNUAL REPORT
2006-07**



■ Board of Directors

Mr. Kailash Chandra Shahra	-	Chairman
Mr. Santosh Shahra	-	Vice - Chairman
Mr. Umesh Shahra	-	Managing Director
Mr. P.S. Santhanakrishnan	-	Director
Mr. Ashok Khasgiwala	-	Director
Mr. Veer Kumar Jain	-	Director
Mr. Gopal Singh	-	Director (Nominee : IFCI Ltd.)

■ Company Secretary

CS Vinay Gupta

■ Auditors

Arun Maheshwari & Company
8/9, Mahesh Nagar, Indore (M.P.)

■ 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
Saturday, 29th September, 2007 at 12.00 Noon
at Sunvile Delux Pavillion, Sunvile Building,
9, Dr. Annie Besant Road, Worli, Mumbai - 400 018

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Members of the Company will be held on Saturday the 29th day of September, 2007 at 12.00 Noon 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, 2007 and the Profit and Loss Account for the year ended as on 31st March, 2007 together with the Report of Directors & Auditors thereon.
2. To appoint a Director in place of Mr. Kailash Shahra, Director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Veer Kumar Jain, 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.

By Order of the Board

Date : 31.07.2007

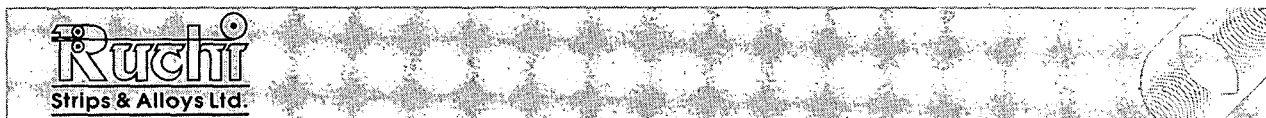
Registered office:

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 form 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.



DIRECTOR'S REPORT

To
The Members

Your Directors have pleasure in presenting Twentieth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2007.

OPERATIONAL PERFORMANCE

		(Rs. In lacs)
1. Financial Results	31.03.2007	31.03.2006
Sales & Other Income	47572.68	28615.22
Gross Profit	1259.77	1028.30
Depreciation and Interest	1183.44	1007.43
Profit before Tax	76.33	20.87
Provision for Tax	71.48	12.25
Deferred Tax Liability	(21.47)	7.56
Profit after Tax	26.32	1.06

2. DIVIDEND

Due to long term requirement of funds Directors regret their inability to declare any dividend for the year under review.

3. DIRECTORS

Mr. Kailash Chandra Shahra and Mr. Veer Kumar Jain retire by rotation in accordance with provisions of the Companies Act, 1956 and Articles of Association of the Company and being eligible, offer themselves for re-appointment.

4. CORPORATE GOVERNANCE

Schedule on Corporate Governance is enclosed as a part of Director's Report.

5. FIXED DEPOSITS

Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

6. DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 your directors confirm that :-

- (i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had 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 your Company at the end of financial year and of the profit of your Company for that period;
- (iii) the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance



with the provisions of this Act for safeguarding assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors had prepared the annual accounts on a going concern basis.

7. **CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE EARNING AND OUTGO**

Particulars with respect to Conservation of Energy Technology absorption and foreign exchange earning & outgo under the Company (Disclosure of particulars in the report of Board of Directors) Rules 1988, are given as Annexure to this report.

8. **AUDITORS**

M/s Arun Maheshwari & Co, Chartered Accountants, Auditors of the Company hold office upto the conclusion of forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your board recommends their reappointment.

9. **AUDITOR'S REPORT**

Report of the Auditors and their observations on the Accounts of the Company for the year under review which are self explanatory are attached herewith.

10. **LISTING AT STOCK EXCHANGES**

Company's Equity Shares continue to be listed on Bombay Stock Exchange Limited, Mumbai. During the year Company's Equity Shares were de-listed from The Delhi Stock Exchange Association Limited (DSE) and Madhya Pradesh Stock Exchange Limited (MPSE) pursuant to voluntary delisting application of the Company.

11. **CONVERSION OF OFCD'S TO FCD'S AND FURTHER FCD'S TO FULLY PAID EQUITY SHARES**

During the year 5,65,256 0% Optionally Fully Convertible Debentures (OFCD'S) of Rs. 100/- each were converted into 5,65,256 Fully Convertible Debentures (FCD'S) of Rs. 100/- each aggregating Rs. 5,65,25,600 (Rs. Five Crores Sixty Five Lacs Twenty Five Thousand Six Hundred Only) and were allotted to IFCI Limited.

Further, 5,65,256 Fully Convertible Debentures (FCD) of Rs. 100/- each were converted into 55,69,025 Fully paid-up Equity Shares of Rs. 10/- each at premium of Rs. 0.15 per Equity Share, to IFCI Limited.

12. **CEO AND CFO CERTIFICATION**

The Board of Directors have received certificate from the Managing Director and CFO under clause 49 (v) of listing agreement.

13. **PARTICULARS OF EMPLOYEE'S**

None of the employee of the company was paid remuneration in excess of the limit. Therefore, the particulars of employees, as required by the provision of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules, 1975, as amended, are nil.

14. **INDUSTRIAL RELATIONS**

Relations with the employees continued to remain cordial throughout the year. Your Directors wish to place on record their appreciation for sincere and dedicated services rendered by the executive, staff and workers at all levels.

15. **ACKNOWLEDGMENT**

The Directors wish to place on record their appreciation for the sincere cooperation extended by the shareholders, Bankers and all other Govt. Agencies in carrying out the business of the Company.

By Order of the Board of Directors

Place : Indore
Date : 31.07.2007

Kailash Chandra Shahra
Chairman



ANNEXURE TO THE DIRECTOR'S REPORT

ANNEXURE A

Information as per Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2007.

FORM - A

Form for disclosure of particulars with respect to conservation of energy.

A. POWER AND FUEL CONSUMPTION

	2006-2007	2005-2006
Production	59570.019	63676.189
1. Electricity		
a. Purchased Unit (KWH)	10036041	10556119
Amount (Rs. in Lacs)	490.35	556.06
Rate/Unit (Rs.)	4.89	5.27
b. OWN GENERATION		
(i) Through Diesel Generator	Nil	Nil
(ii) Through Steam Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other		
(a) HSD		
Quantity (Ltrs.)	42200	72000
Total Amount (Rs. in Lacs)	14.34	19.67
Avg. Rate (Per Ltr.)	33.98	27.31
(b) Kerosene		
Quantity (Ltrs.)	1759279	1879950
Total Amount (Rs. in Lacs)	528.92	500.84
Avg. Rate (Per Ltr.)	30.06	26.64

B. CONSUMPTION PER UNIT OF PRODUCTION (PMT)

Product : Cold Rolled Steel Strips/Sheet

Electricity (KWH)	168.47	165.78
Other		
a. HSD (Ltrs.)	0.71	1.13
b. Kerosene (Ltrs.)	29.53	29.52

FORM - B

(Form for Disclosure of Particulars with respect to technology absorption)

RESEARCH & DEVELOPMENT (R & D)

The Company continues to work on its long range plans to improve and enlarge its product range. However, there was no expenditure on research and development.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Barring a few components which are not available indigenously at competitive prices and of desired quality the Company has made every effort to indigenously and components for the imported machinery as well as indigenous machinery to minimize the imports. Many components have been developed indigenously for the imported mill also at such lower cost. The company has successfully absorbed the technology.

FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has made export during the year under review and has been taking keen interest for developing new export market. The foreign exchange earned on export was Rs. 2150 lacs (Previous year Rs. 4048 lacs). The expenditure in foreign exchange during the year under review is Rs. 3161 lacs (Previous year 3999 lacs).

For and on behalf of the Board of Directors

Place : Indore
 Date : 31.07.2007

Kailash Chandra Shahra
 Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Your company is engaged in the business of manufacturing cold rolled steel coils and sheets matching 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 mm CR Coil extensively used for galvanizing. The Company is also manufacturing CR Coils & Sheet and is known for their close gauge tolerance, superior finish & perfect flatness, free of stretcher from stains. They are bright and matt finish in annealed. Major grades manufactured are O, D, DD, EDD & IF of non aging, CRCA, automobile grades, TMBP, Galvanizing 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 over all 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 Manufacturing & Other 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 31st March, 2007 is as under :

	31.03.2007	(Rs. In lacs) 31.03.2006
1. Financial Results		
Sales & Other Income	47572.68	28615.22
Gross Profit	1259.77	1028.30
Depreciation and Interest	1183.44	1007.43
Profit before Tax	76.33	20.87
Provision for Tax	71.48	12.25
Deferred Tax Liability	(21.47)	7.56
Profit after Tax	26.32	1.06

During the year under review, the sales and other income was Rs. 47572.68 lacs as compared to the previous year figures of Rs.28615.22 lacs. The production of finished goods was 59570.019 MT during the year 2006-07 as compared to 63676.189 MT during the previous year.

Fiscal 2006-07 was a tough year for the steel industry as a whole. Pressure on margins continued with increase in raw material prices without corresponding transe in prices of finished goods. These factors affected 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 affected 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.

Disclaimer:

Statements in this "Management Discussion and Analysis" describing the Company's objectives, expectations 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.



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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 expectations of various elements of corporate environment. We believe in 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 statutory and regulatory requirements. Given below are the company's corporate governance policies and practices in accordance with provisions of Clause 49 of the Listing Agreement.

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

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 leads to long term shareholder value and enhances interest of other stake holders. It brings into focus fiduciary and trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholders 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)
Mr. Kailash Chandra Shahra	Non-Executive	5(5)	2(1)
Mr. Santosh Kumar Shahra	Non-executive	8	1
Mr. Umesh Shahra	Executive	6	1(1)
Mr. P.S. Santhanakrishnan	Independent	6(1)	3(2)
Mr. Ashok Khasgiwala	Professional	1	-
Mr. Veer Kumar Jain	Independent	1	-
Mr. 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