

28th
Annual Report
2004 - 2005



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loyds Metals & Engineers Limited

BOARD OF DIRECTORS

CHAIRMAN

MUKESH R. GUPTA

MANAGING DIRECTOR

B. L. AGARWAL

DIRECTORS

RAJESH R. GUPTA

D. K. KAMBALE (IDBI NOMINEE)

SAMEER PHUTANE (ICICI BANK NOMINEE)

SHANTANU MOHAPATRA

BANKERS

STATE BANK OF INDIA

INDUSIND BANK LIMITED

CENTURION BANK LIMITED

REGISTERED OFFICE

Plot No. A-9 & 10, MIDC Phase II, Dombivli (East),

Dist. Thane 421 201, Maharashtra

WORKS

PIPES & TUBES DIVISION

Plot No. M-1, Additional MIDC Area, Murbad,

Dist. Thane 421 401, Maharashtra

SPONGE IRON DIVISION

Plot No. A 1-2, MIDC Area, Ghugus,

Dist. Chandrapur, 442 505, Maharashtra

REGISTRAR & SHARE TRANSFER AGENTS

Bigshare Services Private Limited

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka,

Andheri (E), Mumbai - 400 072.

Phone: 2847 3474 / 3747 / 2847 0652 / 53

Fax : 2847 5207

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NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the Members of the Lloyds Metals & Engineers Limited will be held at Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201, Dist. Thane on Thursday, the 4th August, 2005 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Profit & Loss Account of the Company for the year ended 31st March, 2005 and the Balance Sheet as at that date together with Auditors' and Directors' Report thereon.
2. To appoint a Director in place of Shri Shantanu Mohapatra, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification/s, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to and in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and all other applicable laws and regulation including the Securities and Exchange Board of India Guidelines, the Reserve Bank of India Guidelines, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement (s) with Stock Exchanges, on which the Shares of the Company are listed or may hereafter be listed (including any amendment thereto or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents as may be required under applicable laws and regulations and of concerned Authorities, Bodies and Agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, from time to time in one or more tranches, 13,40,000 equity shares of Rs.10/- each at a premium of Rs.60.02/- per equity share, to Promoters / Persons Acting in Concert by conversion of their existing Preference Shares, under and by way of Preferential Issue through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion with power to settle details as to the form and terms of issue of the Equity Shares and all other terms conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by persons involved with any such issue of Equity Shares subject, however, to all applicable laws and regulations, provided that the price of the Equity Shares so issued shall not be less than Rs.37.13/- (including a premium of Rs. 27.13/-) per Equity Share of Rs.10/- each being the price with respect to the Relevant Date, being the date 30 days prior to the date of this Annual General Meeting, i. e. 4th July, 2005, as prescribed under guidelines for Preferential Issues of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (including any amendment thereto or re-enactment thereof) and the aggregate amount so converted shall not exceed Rs. 9,38,26,800.

RESOLVED FURTHER THAT the equity shares hereby authorised to be issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall upon being so issued and allotted upon conversion shall be listed and traded on stock exchange and rank pari passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of the above stated equity shares, the Board of Directors of the Company be and is hereby authorised to take all such actions, give such directions and to do all such acts, deeds, matters and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation to sign all deeds, documents, instruments and writings and to pay and fees, charges and other outgoings in relation thereto and to settle all questions and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of equity shares as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members.

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 the provisions of sub-clause B of Clause 49 (1) of the Listing Agreement with Stock Exchanges, being notified on 29.10.2004 and the provisions of Section 198, 309, 310 and Schedule XIII of the Companies Act, 1956, the Consent of the Company be and is hereby accorded to the Board of Directors (hereinafter called Board) for payment of sitting fees to the Non-executive Directors including Independent Directors being the Member(s) of the Board / Board Committee(s), not

exceeding such sum as may be prescribed by the Companies Act, 1956 or Rules made thereunder from time to time for each meeting of the Board/ Committee(s) w.e.f. 1.4.2005."

By Order of the Board,

Place : Mumbai
Date : 5 July, 2005

Tejaswini Chaudhari
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. Documents referred to in Notice are open for inspection at the Registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday, the 25th day of July 2005 to Thursday, the 4th day of August, 2005** (both days inclusive).
6. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of the meeting to enable the Management to keep full information ready.
7. Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the Share Certificate (s) to the Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, for consolidation of all such Shareholdings into one account to facilitate better services.
8. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2nd Floor, Dattaram Lad Path, Kala Chowky, Mumbai - 400 033.
9. Consequent upon amendment in Section 205 A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of the dividend remaining unclaimed for a period of seven years pertaining to financial year ended 31st March, 1996 has been transferred to the Investors Education and Protection Fund.
10. Members are requested to notify any changes in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.

INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Director who is proposed to be re-appointed is given below.

Name	: Mr. Shantanu Mohapatra
Age	: 69 years
Qualification	: B. Tech in Applied Geology & Geophysics from I.I.T. Kharagpur.
Expertise	: Consultancy in Mining and Mineral based Industries, Mineral Exploration (Trained by UNDP in Australia & USA)

Other Directorship : NIL

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 4

The Company is proposing to convert the existing Preference Shares of Rs. 9,38,26,800 into equity shares on preferential basis to Promoters/ Person Acting in Concert (PAC) of the Company as per guidelines for Preferential Issues contained in Chapter XIII of the SEBI (DIP) Guidelines, 2000.

Section 81 of the Companies Act, 1956 and Listing Agreement with Stock Exchanges, provides, inter-alia, that where it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the persons who at the date of offer are holders of the Equity Shares of the Company in proportion to the capital paid-up on those Shares as of that date, unless the shareholders in general meetings decides otherwise. The Special Resolution(s) seeks, the consent of the Shareholder authorising the Board of Directors, to issue / allot the Shares on preferential basis and issue Equity Shares consequent upon conversion of above said Securities as may be required in terms of the Issue.

The issue of Equity Capital will be made in accordance with preferential issue guidelines as contained in the SEBI (Disclosure and Investor Protection) Guidelines 2000 (the "SEBI Guidelines") The main relevant guidelines are as under :-

"13.1.1 Pricing of the Issue:

13.1.1.1 The issue of shares on a preferential basis can be made at a price not less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date. OR
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

Explanation :-

- a) "relevant date" for the purpose of this clause means the date thirty days prior to the date on which the meeting of general body of shareholders is held, in terms of section 81 (1A) of the Companies Act, 1956 to consider the proposed issue.
- b) "Stock exchange" for the purpose of this clause means any of the recognized stock exchanges in which the shares are listed and on which the highest trading volume in respect of the shares of the company has been recorded during the preceding six months prior to the relevant date.

The disclosures required under regulation 13.1A of the SEBI guidelines are as under.

- (1) **The object of the issue:** The object of the issue is to facilitate the financial restructuring and attaining sustainable capital structure.
- (2) **Relevant date and Pricing of the issue:** The issue price of the equity shares of Rs.10/- each is Rs.70.02 per equity share including a premium of Rs.60.02/- per share. As per the SEBI (DIP) Guidelines, 2000 the price for equity shares of Rs.10/- each has been determined at Rs. 37.13/- per share on the relevant date i. e. 4th July, 2005, based on the quotations available at the Stock Exchange, Mumbai. Auditors' Certificate regarding necessary compliance including pricing of the Issue will be laid before the meeting. The issue price of Rs. 70.02/- per share is much higher than the price calculated as per the SEBI guidelines.
- (3) **Intention of the promoters/directors/key management persons to subscribe to the offer:** The preference offer is made to Promoter of the Company as referred to in the resolution.
- (4) **Shareholding pattern before and after the offer:** The shareholding pattern of the Company, before and after the preferential allotment would be as follows :

There will be no change in the Board of Directors or control of the Company as a consequence of allotment of the aforesaid shares. However, there will be change in the pattern of voting due to above including in the voting pattern of the Promoters.

- (5) The allotment process is to be completed within the statutory time limits prescribed by the regulatory authorities from the date of this meeting subject to all the necessary approvals being in place.

- (6) The Preference Share issue is to be made to the Promoters, M/s. ASP Technologies Limited. The percentage of post Preferential Issue Capital that may be held by him together with the person acting in concert to him is given in (4) above.

The Board of Directors recommends the resolution(s) set out at Item No. 4 of the accompanying Notice for approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution (s).

Item No. 5

The SEBI vide its letter No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October, 2004 has amended the Clause 49 of the Listing Agreement between the Company and the Stock Exchanges. As per sub-clause B of the amended clause 49 (1), all fees/ compensation if any paid to Non-executive Directors including Independent Directors shall be fixed by the Board of Directors with previous approval of Shareholders in General Meeting. The Company at present pay sitting fees to its Non-executive Directors including Independent Directors @ Rs. 1000/- per Board / Committee meeting (s).

The Company is not paying any other compensation to its Non-executive Directors including Independent Directors except payment of sitting fees.

In order to Comply with the requirement of amended Clause 49, the resolution No. 5 is placed for your approval by way of Ordinary resolution.

The payment of sitting fees to Non-executive Directors including Independent Directors shall not be exceeding such sum as may be prescribed by the Companies Act or Rules made thereunder from time to time for each meeting of the Board/Committee(s) w.e.f. 1.4.2005.

None of the Directors, other than the Non-executive Directors including Independent Directors is, in anyway, concerned or interested in the said resolution.

By Order of the Board,

Place : Mumbai
Date : 5th July, 2005

Tejaswini Chaudhari
Company Secretary

	Category	Pre-issue equity holdings	% of Total Pre-issued capital	Post issue equity holding	% of total post issued capital
1)	Promoters and Person Acting in concert	5497154	33.00	6837154	37.99
2)	Mutual Funds & UTI	6400	0.04	6400	0.04
3)	Banks/Financial Institutions/ Insurance Companies (Central/ State Government Institutions / Non- Government Inst.)	101400	0.61	101400	0.56
4)	FII's/NRI's/OCBs	1512833	9.08	1512833	8.41
5)	Private Corporate Bodies	6038927	36.26	6038927	33.56
6)	Indian Public	3484757	20.92	3484757	19.36
7)	Any Other (Clearing Members)	14662	0.09	14662	0.08
	Total Paid up Capital	16656133	100	17996133	100

DIRECTORS' REPORT

The Directors present their 28th Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

	Current Year 2004-05 (Rs.in Lacs)	Previous Year 2003-04 (Rs.in Lacs)
Sales :	28116.50	19883.92
Other Income	44.30	52.54
Total Income :	28160.80	19935.46
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	2579.58	709.40
Less : Finance Charges	416.03	601.88
Depreciation	1610.55	1599.65
Profit / (Loss) before exceptional items & taxes	557.00	(1488.13)
Exceptional items (Net)	2425.51	1330.97
Profit / (Loss) before tax	2982.51	(157.16)
Add : Tax Provision	0.00	0.00
Profit/(Loss) after Tax	2982.51	(157.16)
Add : Prior Period Income	15.20	80.87
Less: Sales Tax paid of earlier year	35.41	—
Net Profit/ (Loss)	2962.30	(76.29)
Profit / (Loss) b/l from previous year	(24242.57)	(24166.28)
	(21280.27)	24242.57
Less:- Transferred from Investment Allowance Reserve (Utilised)	20.00	0.00
Balance Carried Forward	(21260.27)	(24242.57)

DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31st March, 2005.

OPERATIONS & OVERALL PERFORMANCE

The Steel Industry has witnessed a strong earning on back of good demand and prices during last two years. In line with the industry, your Company has posted better financial results for the year 2004-2005.

The Total Income of the Company was Rs.281.61 crores during the year as against Rs.199.36 crores in the previous year, showing a rise of 41%. The Company after remaining in red for a long period has reported a Net Profit of Rs.29.82 crores as against a net Loss of Rs.1.57 crores in the previous year. There has been a major cost spiral in input costs over the past two years. However, the Company could maintain its margin in views of the positive market conditions.

Debt Restructuring

On the restructuring/settlement of debts with the Financial Institutions and Banks, the Company made reasonable progress. During the year, debt liabilities of over Rs.202 crores has been restructured, which resulted in a

reduction of debt of over Rs.119 crores for the Company. This has brought down the debt servicing cost substantially with some of the loans restructured as non interest bearing. In accordance with the restructured terms, the Company has been regular in making payments to its Lenders and has paid off Rs.31.31 crores during the year towards past Debt liabilities apart from servicing regular interest on such debt. The Restructuring proposals are under various stages of discussion with remaining lenders.

Preferential Issue of Shares

The Company is proposing to issue equity shares on preferential basis to Promoters by way of conversion of existing Preference Shares in such manner and tranche/s as may be decided by the committee constitute for the purpose in accordance with prevalent SEBI guidelines at a price which shall not be lower than the price calculated based on the market price of the share with reference to the relevant date. The necessary resolution will be incorporated in the Notice convening the Annual General Meeting for approval of the Members.

Pipe Division

During the year under review, the sales of Pipe Division at Murbad has seen a quantum jump at Rs.159.65 crores as compared to Rs.78.11 crores in the previous year showing a growth of 104%. The Company's focused attention on exports has paid a good dividend and exports has more than doubled and has touched a figure of Rs.86.97 crores during the year as compared to Rs.41.74 crores during the previous year. Reflecting the export thrust, the share of export constitutes 54 % of turnover of the division as compared to 47% in the previous year.

Sponge Iron Division

The Total Income of the Sponge Iron Division was at Rs.121.51 crores against Rs.120.73 crores in the previous year which was marginally higher.

ENVIRONMENT & SOCIAL OBLIGATION

The Company maintains the pollution free environment in and around its plants. The Company's plant comply with all norms set up for clean & better environment by Competent Authorities.

REFERENCE TO BIFR

Based on the Audited Balance Sheet for the year ended 31st March, 2002, the Company has filed a reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) on 29th May, 2002. The reference came to be registered as Case No. 259/2002 as per their communication No.F.3(L-3) BC/2002 dated 3rd July, 2002.

The matter is pending for hearing before the Hon'ble BIFR for consideration of the sickness and further direction.

In the meanwhile, the Company has filed reference based on Results of Financial Year ended 31.3.2003 and 31.3.2004 and same came to be registered as Case No. 122/2004, and 352/2004.

MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is manufacturing and marketing Iron and Steel. The Management discussions and analysis is given hereunder:-

- Industry structure and development :** Steel industry after going through a turbulent time between 1997 and 2001, has started coming back on its feet on back of strong domestic economic growth and global revival.
- Opportunities and threats:** High economic growth and infrastructure development in the country would offer opportunities and the Company would continuously try to remain competitive to take advantage of opportunities coming its way.
- Segment-wise performance:** The Company is operating on only one broad segment, Iron and Steel and hence separate segmental reporting is not applicable. The Company has no activity outside India except export of steel products manufactured in India.

- d) **Outlook:** The outlook for the steel industry depends on global steel prices which have recently shown some signs of softening after remaining firm throughout the previous year.
- e) **Risk and concerns:** The year under review has been a good one for the Indian steel industry. The Company's market development, order procurement and supply management have been re-engineered and new practices adopted at all levels. Technological obsolescence is an inherent business risk. The Company undertakes continuous modernisation programme to keep its operations efficient.
- f) **Internal control system:** The Company maintains adequate internal control systems, which provide adequate safeguards and proper monitoring of the transactions. The Company has appointed an Internal Auditor who reports to the Managing Director and Audit Committee of the Board. The Internal Auditor conducts monthly audits to ensure that the Company's control systems are adequately followed and all statutory requirements are complied with.
- g) **Discussion on financial performance with respect to operating performance:** The operating performance of the Company has been discussed in Directors Report under the head 'Financial Highlights and Operations and Overall Performance' in the current year.
- h) **Human resources and industrial relations:** During the year under review the Employee/Industrial relations at all units and job sites remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines. Number of employees as on 31st March, 2005 was 469.
- i) **Cautionary Statement:** The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

SUBSIDIARY COMPANY & CONSOLIDATED FINANCIAL STATEMENTS

During the year, Company has floated a wholly owned subsidiary M/s. Gadchiroli Metals & Minerals Limited with a share capital of Rs. 10 Lacs. The Statement required Under Section 212 of the Companies Act, 1956, the Audited Accounts and the Reports of the Directors and Auditors of M/s. Gadchiroli Metals and Minerals Limited, a wholly owned subsidiary Company, are attached herewith. In accordance with the Accounting Standard AS-21, the Consolidated Financial Statements are attached herewith which forms part of the Annual Report and Accounts.

INVESTOR SERVICES

The Company and its Registrars M/s. Bigshare Services Private Limited who is looking after the physical as well as Demat work and also shareholders correspondence in terms of SEBI direction, for having a common Registrar and Share Transfer Agent, endeavored their best to service the Investors satisfactorily.

DIRECTORS

Shri Shantanu Mohapatra, Director of your Company, retire by rotation and being eligible, offer himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of annual accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and of the profit or loss of the Company for the year under review.
3. 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;
4. Final accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance and the Auditor's Certificate on its compliance are annexed hereto and forms part of this Annual Report.

AUDITORS & AUDITORS' REPORT

The members are requested to appoint Auditors and fix their remuneration.

As regards qualification at Sr.No 4 (e) in the Auditors' Report, Directors wish to state that in view of the ongoing discussion for restructuring of the debt and interest liability, the Company has not provided for interest on some loans. Auditors' observations in Clause No. 9, 10 & 11 in the Annexure to Audit Report (CARO Report) are self explanatory and do not require further explanation.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'A' forming part of this report.

ACKNOWLEDGEMENT:

Your Directors place on record their appreciation for the assistance and support extended by all Government Authorities, Financial Institutions, Banks, Consultants, Solicitors and Shareholders of the Company. Your Directors express their appreciation for the dedicated and sincere services rendered by employees of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 30th May, 2005

M. R. Gupta
Chairman

ANNEXURE - A

STATEMENT PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

(A) CONSERVATION OF ENERGY**Energy Conservation Measures Taken:-****Pipe Division**

The Company has installed 600 KVAR capacitor with automatic power factor correction panel to achieve power factor from 0.95 lag. This has resulted in the Company getting P. F. incentive @ 5 % on energy consumption during the year on its power bills. The Plant has replaced 250 watts H. P. mercury vapour fittings with 150 watts H. P. sodium vapour fitting which has resulted saving in power consumption at our plant.

Sponge Iron Division

In continuation to the steps taken for energy conservation from 2003-2004, this year also following measures were initiated:

- 1) We have replaced P. A. fans with new energy efficient fans in consultation with M/s. Flakt (I) Ltd. Thus, 25% energy consumption is reduced.
- 2) We have changed the design of I D fan suction hood which has resulted in higher utilization factor of the fan resulting into energy saving of 7%.

(B) RESEARCH & DEVELOPEMNET AND TECHNOLOGY ABSORPTION

Research & Development, Technology Absorption, Adoption and Innovation

Pipe Division

The Division has a separate wing for Product Development and uses in house technology for improvement in the quality of the product.

Inside bead cutting is done successfully in the smaller sizes at the better accuracy of bead height which is specially required in the export orders of DIN standard.

In house machine is developed for swedged end for export orders in the sizes from 25mm NB to 50mm NB for the thickness 2.5mm and below.

Old Galvanising plant is modified for Auto Steam Blowing to increase the productivity.

Hydro testing machine is modified to test the pipes up to 280 kg/sqcm from the original capacity of 180 kg/sqcm and tested the pipes successfully for the supply API pipes to ONGC.

Sponge Iron Division

Nil

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of Foreign Exchange Earnings and Outgo are as under:

(Rs in Lacs)

	2004-05	2003-04
(1) Earnings		
Exports including Third Party	8696.57	4173.52
	8696.57	4173.52
(2) Outgo:		
Interest	85.37	111.75
Brokerage & Commission	37.34	5.52
Legal & Professional Charges	7.97	Nil
Bank Charges	12.39	Nil
Travelling	3.12	27.22
Others Finance Charges	3.16	3.17
	149.35	147.66

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 30th May, 2005

M. R. GUPTA
Chairman

FORM - A

Form for Disclosure of Particulars with respect to Conservation of Energy

	UNIT	2004-05	2003-04
A. Power & Fuel Consumption			
1 Electricity			
a) Purchased			
Units	Kwh	15282600	15449000
Total Amount	Rs.	53984420	53751742
Rate/Unit	Rs/kwh	3.53	3.48
b) Own Generation			
i) Through Diesel Generator			
Units	Kwh	125180	30920
Units per ltr. of Diesel Oil	Kwh/ltr	3.02	2.62
Cost/Unit	Rs/kwh	9.09	9.33
ii) Through Steam Turbine / Generator			
Units	Kwh	NIL	NIL
Units per ltr. of Fuel Oil/Gas	Kwh/Ltr	NIL	NIL
Cost/Unit	Rs/Kwh	NIL	NIL
2 Coal			
Quantity	Ton	227006	238900
Total Cost	Rs.	341994804	333704505
Average Rate	Rs/Tonne	1506.54	1396.31
3 Fuel Oil			
a) Furnace Oil			
Quantity	Ltr.	562500	511160
Total Amount	Rs.	5661916	4981099
Average Rate	Rs/Ltr	10.07	9.74
b) LDO/			
Quantity	Ltr.	41420.50	4649
Total Amount	Rs.	1138290	129077
Average Rate	Rs/Kl	27.48	27.76
B. Consumption per unit of production			
1 PRODUCT Pipe /Tubes			
- Electricity	Kwh/MT	111.85	105.92
- Furnace Oil/LDO	Ltr/MT	12.36	17.68
2 PRODUCT Sponge/Iron			
- Electricity	Kwh/MT	115.82	102.92
- Furnace Oil	Ltr	NIL	NIL
- Coal	Ton/MT	2.47	1.99
- LDO	Ltr	NIL	NIL

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 30th May, 2005

M. R. GUPTA
Chairman

CORPORATE GOVERNANCE

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Board of Directors of Lloyds Metals & Engineers Limited

We have reviewed implementation of Corporate Governance procedure set by Lloyds Metals & Engineers Limited ("The Company") for the year ended 31st March, 2005 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For **Todarwal & Todarwal**
Chartered Accountants

Sunil Todarwal
Partner

Mumbai
Dated :- 30th May, 2005

NOTE ON CORPORATE GOVERNANCE:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to pursue objectives that are in the best interest of the Company and its Shareholders.

2. BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of :-

Promoter Directors	3
Non-executive – Nominee Directors	
Representing IDBI & ICICI Bank Ltd	2
Non-executive independent director	1

Attendance of each Director at the Board of Directors meetings and the last AGM is as follows.

Director	No. of meetings held	Atte-nded	Last AGM Attended	No. of Directorship in other Public Company	Remarks
M. R. Gupta	4	4	Yes	2	—
Rajesh R. Gupta	4	4	Yes	2	—
B. L. Agarwal	4	4	Yes	3	—
D. K. Kambale	4	3	No	—	—
Shantanu Mohapatra	4	4	No	—	—
Sameer Phutane	4	4	No	—	—

Number of Board of Directors meeting held and the dates on which held.

4 (Four) Board Meetings were held during the year, as per the statutory requirement. The dates on which the meetings were held were as follows: 30th May 2004, 31st July 2004, 28th October 2004 and 31st January 2005.

3. AUDIT COMMITTEE

As per revised Clause 49 of the Listing Agreement, the Company had re-constituted Audit Committee comprising of 4 Directors with 3 Independent Non- executive Directors, including 2 Nominee Directors as follows:

Mr. Shantanu Mohapatra	Independent Director
Mr. M. R. Gupta	Group Chairman
Mr. D. K. Kambale	IDBI Bank Nominee Director
Mr. Sameer Phutane	ICICI Bank Nominee Director

The broad terms of reference of Audit Committee are as follows :-

Review of internal control and audit system

Review of the Company's financial progress and report.

Review of the Company's working capital and loan position

Review of the Company Division wise activities and the operation performed at the divisional level.

Review of the Company's sales policies and the debt recovery

Review of the Company purchase, consumption of raw material and other stores.

Review of Risk Management policies and practices.

The Committee has met 4 times during the financial year ended March 31st 2005 i.e. 30th May 2004, 31st July 2004, 28th October 2004 and 31st January 2005. The attendances of the members are as under :-

Name of Director	No. of Meetings held	No. of Meetings Attended	Remark
M. R. Gupta	4	4	—
Rajesh R Gupta	4	4	—
D. K. Kambale	4	3	—
Shantanu Mohapatra	4	4	—
Sameer Phutane	4	4	—

4. REMUNERATION COMMITTEE

The Remuneration of Director in all the cases is decided by the Board subject to necessary approval of shareholder and other applicable approvals, if any. Save and except Mr. B. L. Agarwal, Managing Director, no other director is drawing remuneration.

The Company has constituted a Remuneration Committee of the Board comprising of three (3) Non-executive Independent Directors. The Committee shall have powers to determine remuneration packages of Working Directors and the Company's policy on remuneration and any other compensation related matters.

During the year Mr. B. L. Agarwal, Managing Director has been paid as per Schedule XIII of the Companies Act, 1956 minimum remuneration of Rs.25.44 Lacs by way of Salary, Remuneration and contribution to provident fund. The remuneration paid to Managing Director from 1st January, 2005 onwards is subject to the approval of the Central Government for which necessary application has been made.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

5. SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted the Share Transfer & Investor Grievance Redressal Committee comprising of 3 Directors, Mr. Mukesh R. Gupta, Mr. B. L. Agarwal and Mr. Rajesh R Gupta are the members of this committee.

The Committee oversees the performance of the Registrar and Transfer Agents' recommend measures to improve the level of investor services and matters pertaining to shareholders' complaints and grievances.

The Board has designated Company Secretary, as the Compliance Officer.

The Committee meets fortnightly for the approval of the share transfer/ issue of duplicate shares/replacements etc.

The total number of complaints received and replied to the satisfaction of the shareholders during the year are as follows :

Description	Received	Replied
Consumer Forum	0	0
Bombay Stock Exchange	3	3
SEBI Complaints	2	2
Legal Notice	0	0
Misc.	19	19

6. GENERAL BODY MEETING

Location & time for last 3 Annual General Meeting were :-

Year	Location	Date	Time
2001-2002	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	24.09.2002	11.30 a.m.
2002-2003	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	24.09.2003	11.30 a.m.
2003-2004	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	25.09.2004	11.30 a.m.

7. **DISCLOSURE ON MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTION I.E. TRANSACTIONS OF THE COMPANY OF MATERIAL NATURE, WITH ITS PROMOTERS, THE DIRECTORS OR THE MANAGEMENT, THEIR SUBSIDIARIES OR RELATIVES ETC. THAT MAY HAVE POTENTIAL CONFLICTS WITH THE INTEREST OF THE COMPANY AT LARGE.**

There are no such transaction during the year.

8. **DETAILS OF NON-COMPLIANCE BY THE COMPANY, PENALTIES STRICTURES IMPOSED ON THE COMPANY BY STOCK EXCHANGES OR SEBI OR ANY STATUTORY AUTHORITY ON ANY MATTER RELATED TO CAPITAL MARKETS DURING THE LAST THREE YEARS.**

None

9. **MEANS OF COMMUNICATION**

The Quarterly Results are published in Navshakti and Free Press Journals.

10. **GENERAL SHAREHOLDER INFORMATION**

Detailed information in this regard is provided elsewhere in the report.

Shareholders' Information

1. **Annual General Meeting**

Date : **Thursday, 4th August, 2005**

Venue : Dombivli Gymkhana, P - 9, MIDC, Phase - I,
Dombivli (East) - 421 201. Dist- Thane

2. **Financial Calendar**
(tentative)

Annual General Meeting 4th August, 2005

Results for quarter ending 30.06.2005 Fourth Week of July 2005

Results for quarter ending 30.09.2005 Fourth week of October 2005

Results for quarter ending 31.12.2005 Fourth week of January 2006

Results for quarter ending 31.03.2006 Fourth week of May 2006.

3. **Book Closure Date**

Monday, 25th July, 2005 to
Thursday, 4th August, 2005
(both days inclusive)

4. **Dividend Payment date**

Not declared

5. **Listing of Equity Shares on**
Stock Exchanges at

Mumbai

6. **Stock Code 512455 -**

Bombay Stock Exchange
ISIN No.: INE281B01016

7. **Stock Market Data**

Bombay Stock Exchange

	(BSE) High	(In.Rs.) Low
April 2004	10.25	7.15
May 2004	9.00	6.70
June 2004	8.00	4.17
July 2004	7.00	4.25
Aug. 2004	9.00	5.65
Sept. 2004	17.75	8.54
Oct. 2004	29.90	14.50
Nov. 2004	40.80	24.05
Dec. 2004	39.80	31.00
Jan. 2005	36.00	26.30
Feb. 2005	41.10	26.45
Mar. 2005	50.80	35.10

8. **Registrar and Transfer Agents (share transfer and communication regarding share certificates, dividends and change of address)**

Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka Andheri (East), Mumbai- 400 072.

9. **Share Transfer System**

Share transfer requests are registered within an average period of 25 to 30 days from the date of receipt.

Share transfer request in physical form with demat request have been discontinued from February 2004 in terms of recent SEBI directive.

10. **Distribution of shareholding as on 31st March, 2005**

Promoters	32.99%
Indian financial Institutions	00.61%
Banks/MFs	00.59%
FII	00.00%
Others	65.81%

No. of Shares Held	No. of Shareholders Total % of Total	No. of Shares Held Total % of Total
1 - 500	23097 97.48	2737831 16.44
501 - 1000	319 1.35	260610 1.56
1001 - 2000	112 0.47	176389 1.06
2001 - 3000	36 0.15	92665 0.56
3001 - 4000	18 0.08	64799 0.39
4001 - 5000	18 0.08	86776 0.52
5001 - 10000	25 0.11	191235 1.15
10001 and Above	70 0.30	13045848 78.32
Total	23695 100.00	16656133 100.00

11. **Dematerialisation of Shares**

Over 75.47% of the outstanding shares have been dematerialised upto 31st March, 2005.

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 08.05.2000 as per notification issued by the Securities and Exchange Board of India.

Liquidity

Company's Shares are traded on the Mumbai Stock Exchanges.

12. **Outstanding Warrants and convertible Bonds, Conversion date and likely impact on the Equity**

Not Applicable

13. **Plant Locations**

Pipe & Tube Division

Plot No. M-1, Additional MIDC Area, Murbad,
Dist. Thane 421 401. Maharashtra State.

Sponge Iron Division

Plot No. A-1/2, MIDC Area, Ghugus,
Dist. Chandrapur- 442 505. Maharashtra State.

14. **(i) Investor Correspondence**

For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company.

(ii) Any query on Annual Report

Bigshare Services Private Limited.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai- 400 072.
Tel. No. 2847 3474/3747/ 2847 0652-53
Fax No. 2847 5207

Secretarial Department :

Modern Mills Compound,
101, Keshavrao Khade Marg,
Jacob Circle, Mahalaxmi,
Mumbai- 400 011
Tel. No. 3041 8111
Fax No. 3041 8260