



32<sup>nd</sup>  
Annual Report  
2008-2009

Lloyds Metals &  
Engineers Limited

**BOARD OF DIRECTORS****CHAIRMAN** MUKESH R. GUPTA**MANAGING DIRECTOR** B. L. AGARWAL**DIRECTORS**

RAJESH R. GUPTA

V.M.BHARATHY (IDBI NOMINEE)

SHANTANU MOHAPATRA

B.B.CHADHA ( w.e.f. 28<sup>th</sup> July,2008 )J.S.CHARLU ( w.e.f. 29<sup>th</sup> May,2009 )**AUDITORS**

TODARWAL &amp; TODARWAL

**REGISTERED OFFICE & WORKS**

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

Dist. Chandrapur, 442 505, Maharashtra :

**CORPORATE OFFICE :**

Modern Centre,

'B' Wing, 2<sup>nd</sup> Floor,

Sane Guruji Marg, Mahalaxmi,

Mumbai - 400 011.

**REGISTRAR & SHARE TRANSFER AGENTS**

BIGSHARE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka,

Andheri (E), Mumbai - 400 072.

Tel No. - 022 - 4043 200 / 299

Fax No. - 022 - 2847 5207

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## NOTICE

**NOTICE** is hereby given that the 32<sup>nd</sup> Annual General Meeting of the Members of the Lloyds Metals & Engineers Limited will be held at Plot No. A 1-2, MIDC Area, Ghugus, Dist. Chandrapur, 442 505, Maharashtra on **Tuesday, 28<sup>th</sup> July, 2009** at 2.00 p.m. to transact the following business:-

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as at that date together with Auditors' and Directors' Report thereon.
2. To appoint a Director in place of Shri Mukesh Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Statutory Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri B.B.Chadha, who was appointed as an Additional Director of the company with effect from 28<sup>th</sup> July, 2008 pursuant to Section 260 of the Companies Act, 1956 to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

5. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri J.S.Charlu, who was appointed as an Additional Director of the company with effect from 29<sup>th</sup> May, 2009, pursuant to Section 260 of the Companies Act, 1956 to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

6. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to such other approvals / consents as may be required, Consent of the members be and is hereby accorded to the reappointment of Shri B. L. Agarwal as Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> January, 2010 upon remuneration, perquisites, and other allowances as set out below with the liberty to the Board of Directors to alter and vary the terms and conditions of appointment including remuneration payable in such manner within the overall limits specified in schedule XIII to the said Act:-

- |    |                          |   |                     |
|----|--------------------------|---|---------------------|
| a) | Basic Salary             | :   | 1,00,000 per month  |
| b) | House Rent Allowance     | :   | 60% of Basic Salary |
| c) | Medical Allowance,       | ( )   |                     |
| d) | Leave Travel Allowance & | ( )   | 40,000 per month    |
| e) | Other Perquisites        | ( )   |                     |
| f) | Leave :-                 | One Month's leave with full salary for every 11 months. |                     |

In addition to this he is also eligible for:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave as per Company rules

**RESOLVED FURTHER THAT** notwithstanding loss or inadequacy of profits by the company in any financial years during the period of five years from 1<sup>st</sup> January, 2010, Shri B.L.Agarwal, shall be paid aforesaid remuneration by way of Salary, perquisites and other allowances as minimum remuneration subject to and in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board,

**Shyamal Padhiar**

Company Secretary

Date : 29<sup>th</sup> May, 2009

Place : Mumbai

### 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. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday, 20<sup>th</sup> July, 2009 to Tuesday, 28<sup>th</sup> July, 2009** (both days inclusive).
4. 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.
5. 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.
6. Members are requested to quote their Folio No. or DP ID / Client ID, in case shares are in physical / dematerialized form, as the case may be, in all correspondence with the Company / Registrar and Share Transfer Agent.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING 32<sup>ND</sup> ANNUAL GENERAL MEETING**  
( Pursuant to clause 49 of the Listing Agreement )

1. Name	Shri Mukesh Gupta	Shri B. B.Chadha	Shri J.S.Charlu	Shri B.L.Agarwal
2. Brief Resume				
Age	51 years	71 years	70 years	63 years
Qualification	B.Com	FICWA, Member of Institute of Internal Auditors, USA	M.A.(Economics), JGEDP- IIM, Sr. Marketing Management Course – AISA, Hyderabad	B.Com., L.L.B.
Experience	31 years	49 years	45 years	43 years
Date of appointment on the Board of the company	21.11.1991	28.07.2008	29.05.2009	Prior to 1987
3. Nature of expertise in Specific Functional Areas	Expertise in the field of project implementation, finance, marketing and other areas	Expertise in all management discipline techniques, corporate strategy and planning, finance, marketing and human resource development.	Having a rich and wider experience in the field of marketing of steel and allied products	Vast and varied experience in Steel Industry and implementation of Steel projects
4. Name(s) of other Companies in which Directorship Held	1. Lloyds Steel Industries Ltd. 2. Vidarbha Power Ltd. 3. Lloyds Line Pipes Ltd.	1. Surya Roshni Ltd. 2. Delton Cables Ltd. 3. Jay Ushin Ltd. 4. Intex Technologies (India ) Ltd. 5. Innovation HR Consultants Pvt Ltd.	—	1. Loyds Steel Industries Ltd. 2. Vidarbha Power Ltd. 3. Lloyds Line Pipes Ltd.
5. Name(s) of other companies in which he is Chairman / Member of the *Committee(s)	1. Lloyds Steel Industries Ltd. – Member Shareholders' / Investor Grievance Committee	1. Surya Roshni Ltd. – Member Audit Committee 2. Jay Ushin Ltd. – Chairman – Audit Committee 3. Intex Technologies (India) Ltd. – Member – Audit Committee	—	1. Lloyds Steel Industries Ltd. – Chairman Shareholders' / Investor Grievance Committee and Member – Audit Committee
6. No. of shares held of Rs.2/- each	353650	—	—	—
7. Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act,1956 )	He is related to Mr. Rajesh Gupta, Director of the company.	—	—	—

\* Committees for the above purpose only Audit and Share transfer and Investors' Grievance Committees is considered.

By Order of the Board,

Date : 29<sup>th</sup> May, 2009

Place : Mumbai

**Shyamal Padhiar**  
Company Secretary

**EXPLANATORY STATEMENT**

( Pursuant to Section 173 (2) of the Companies Act,1956 )

**Item No. 4**

The Board of Directors at their meeting held on 28<sup>th</sup> July, 2008 appointed Shri B.B.Chadha as additional Director of the company who holds office upto the ensuing Annual General Meeting of the Company. The Company has received, in terms of Section 257 of the Companies Act, 1956, notice along with the deposit of Rs.500 from a member proposing his candidature for the office of the director.

Shri B.B.Chadha, aged about 71 years, has immense and rich experience of more than 49 years in the field of management discipline techniques of corporates including marketing, manufacturing, finance, corporate strategy and planning, project implementation, human resource development. He is having varied exposure in telecommunications, steel, engineering, mines, chemicals and fertilizers, power plant, pipe plant and other industries. He is also having

experience in the areas of organization restructuring and business re-engineering.

He has held senior positions in SAIL over 30 years. In the past, he was also appointed as Chairman and Managing Director of ITI Ltd. and Director – Finance of ITL Ltd. for 3-4 years. He has also worked as Director Advisor for more than 10 year in large group of companies and as a Chairman, Director and Governing Body Member in various companies and institutions.

The detailed profile and information about Shri B.B.Chadha required to be given under Clause 49 of the Listing Agreement is annexed to this Notice.

Considering the overall experience and expertise of Shri B.B.Chadha, his appointment on Board as Non Executive Independent Director will be in the best interest of the Company.

The Board recommends your approval for Resolution No. 4 in respect of his appointment.

None of the Directors, except Shri B.B.Chadha is in any way concerned or interested in the above resolution.

**Item No. 5**

The Board of Directors at their meeting held on 29<sup>th</sup> May, 2009 appointed Shri J.S.Charlu as additional Director of the company who holds office upto the ensuing Annual General Meeting of the Company. The company has received, in terms of Section 257 of the Companies Act, 1956, notice along with the deposit of Rs.500 from a member proposing his candidature for the office of the director.

Shri J.S.Charlu, aged about 70 years has done M.A. in Economics, JGEDP from IIM, Kolkata, Sr. Marketing Course from AISA, Hyderabad.

Shri J.S.Charlu has immense and rich experience of more than 45 years in the field of developing marketing strategies of steel and allied products. He has work experience in the marketing areas of various steel and allied industries. During the period 1964 – 1996, he was associated with SAIL and worked as Executive Director for last 3 years. In the past, he has also worked as Director – Marketing of JSW Steel Ltd. for 6 years. He was also member of Marketing Strategy Group of International Iron & Steel Institute, Brussels for 2 years. Besides, the above experience, he has providing consultancy and advisory services to the various corporates in the area of marketing.

The detailed profile and information about Shri J.S.Charlu required to be given under Clause 49 of the Listing Agreement is annexed to this Notice.

Considering the overall experience and expertise of Shri J.S.Charlu; his appointment on Board as Non Executive Independent Director will be in the best interest of the Company.

The Board recommends your approval for Resolution No. 5 in respect of his appointment.

None of the Directors, except Shri J.S.Charlu is in any way concerned or interested in the above resolution.

**Item No. 6**

The members of the company at their 27<sup>th</sup> Annual General Meeting held on 23<sup>rd</sup> September, 2004 had re-appointed Shri B.L.Agarwal as Managing Director for five years with effect from 1<sup>st</sup> January, 2005. The present tenure of Shri B.L.Agarwal expires on 31<sup>st</sup> December, 2009, hence it is proposed to reappoint him for further period of five years on such terms and conditions including remuneration in accordance with the Section 269 and other applicable provisions including Schedule XIII of the Companies Act, 1956 subject to approval of the members and any other authorities as may be required.

Accordingly, the Board of Directors at their meeting held on 29<sup>th</sup> May, 2009 reappointed Shri B.L.Agarwal as Managing Director for further period of five years with effect from 1<sup>st</sup> January, 2010. The Remuneration Committee also at its meeting held on 29<sup>th</sup> May, 2009 approved the remuneration payable to him on his reappointment.

The remuneration and terms of the appointment of Shri B.L.Agarwal mentioned in the Resolution No.6 annexed to this Notice shall be treated as abstract under Section 302 of the Companies Act, 1956 of the terms and conditions of appointment of Shri B.L.Agarwal as Managing Director of the company.

The Board recommends your approval for Resolution No. 6 in respect of his re-appointment.

None of the Directors, except Shri B.L.Agarwal is in any way concerned or interested in the above resolution.

**STATEMENT AS REQUIRED TO BE GIVEN TO THE SHAREHOLDERS IN TERMS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 (In respect of Item No. 6)**

**I. GENERAL INFORMATION**

- |   |   |
|---|---|
| 1. Nature of Industry   | - Manufacturing of Steel products                                 |
| 2. Date of commencement of commercial Production  | - The company has commenced its production activities since 1977. |
| 3. In case of new Companies, expected date of Commencement of activities as per project approved by financial institutions appearing in the prospectus. | - N.A.  |

**4. Financial performance based on given indicators :**

Particulars	Rs. In Lakhs		
	2006-07	2007-08	2008-09
Total Income	33707.49	33144.64	52776.23
Profit Before Tax	(3056.45)	2264.64	2856.24
Profit after tax	(3065.61)	2250.54	2838.63

**5. Export performance and net foreign exchange collaborations :**

Particulars	Rs. In Lakhs		
	2006-07	2007-08	2008-09
FOB value of Export	2942.82	491.24	10092.95

**6. Foreign Investments or collaborations, if any**

NIL

**II. INFORMATION ABOUT THE APPOINTEE****Shri B.L.Agarwal**

- Background Details** B.Com. and L.L.B., having more than 40 years of experience in steel industry, has implemented several projects of company. He was appointed as director prior to 1987 and designated as managing Director since 1995.
- Past Remuneration** Salary-- Rs.1,00,000/- per month, HRA @ 60 % of basic salary and Other allowances – Rs.40,000/- per month
- Recognition or Awards** -
- Job Profile and it's suitability** At present, Managing Director of the company. He was appointed as director prior to 1987 and designated as managing Director since 1995. He is responsible for day to day affairs of the company.
- Remuneration proposed** Same as mentioned at Point 2
- Comparative remuneration profile with respect to industry, size of the company, profile and position of person** The remuneration proposed is reasonable as compared to size of the company, profile and position of the person as well as with respect to the industry.
- Pecuniary relationship directly or indirectly with the company, or relationship with the managerial person, if any.** He is a promoter director. He is not related with any other director of the company.

**III. OTHER INFORMATION**

- Reasons of loss or inadequate profits
- Steps taken or proposed to be taken for improvement.
- Expected increase in productivity and profits in measurable terms.

Not applicable as the company has made profits during the last year.

**IV. DISCLOSURE**

The disclosure on remuneration package payable to the managerial person is given under the head "Corporate Governance" in this report.

By Order of the Board,

Date : 29<sup>th</sup> May, 2009  
Place : Mumbai

Shyamal Padhiar  
Company Secretary



## DIRECTORS' REPORT

The Directors present their 32<sup>nd</sup> Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2009.

### FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	Current Year 2008-09	Previous Year 2007-2008
<b>Sales (Net)</b>	<b>52347.23</b>	<b>32969.34</b>
<b>Other Income</b>	<b>429.00</b>	<b>175.30</b>
<b>Total Income :</b>	<b>52776.23</b>	<b>33144.64</b>
Profit before Interest, Depreciation, Exceptional Items & Tax	5338.00	3644.38
Less : Finance Charges	560.80	2117.97
Depreciation	1920.96	2123.90
Profit / (Loss) before exceptional items & taxes	2856.24	(597.49)
Exceptional items (Net)	-	2862.13
<b>Profit/(Loss) before tax</b>	<b>2856.24</b>	<b>2264.64</b>
Less : Tax Provision	17.61	14.10
<b>Profit/(Loss) after Tax</b>	<b>2838.63</b>	<b>2250.54</b>
Add / (Less): Prior Period Income / (Expenses)	5.45	(12.06)
<b>Net Profit/ (Loss)</b>	<b>2844.08</b>	<b>2238.48</b>
Profit / (Loss) b/f from previous year	(17742.32)	(20046.17)
	(14898.24)	(17807.69)
Add : Balance Transferred from Capital Reserve	1247.04	-
Share Premium A/c	11909.81	-
Debenture Redemption Reserve	15.00	65.37
<b>Balance Carried Forward</b>	<b>(1726.39)</b>	<b>(17742.32)</b>

### DIVIDEND

With a view to conserve the resources and in view of the volatile business climate, the Directors have not recommended any Dividend for the year ended 31<sup>st</sup> March, 2009.

### OPERATIONS & OVERALL PERFORMANCE

After witnessing a steady growth over last two years, the steel sector was struck by a catastrophe owing to financial turmoil in the major developed economies during the third quarter onwards of the year which led to sharp fall in steel prices and demand in global as well as domestic market. The steep drop in the steel prices, higher cost of coking coal and lower price realizations has put pressure on operating margins and profitability of the steel companies and the trend is expected to continue during the current year as well.

The Total Income of the Company was **Rs. 527.76** crores during the year as against Rs.331.45 crores in the previous year, showing an increase of 59 %. The Company has reported Net profits of **Rs.28.44** crores during the year under review as against Rs. 22.38 crores in the previous year in spite of stiff market condition and unfavourable economic environment.

### DEBT RESTRUCTURING

The company was successful in restructuring of its debts in a phased manner with various financial institutions and banks during last 3-4 years. The restructuring of the remaining debts were approved by the Corporate Debt Restructuring ( CDR ) Cell during the previous year 2007-08.

In accordance with the restructured terms, the Company has paid off **Rs. 11.98** crores during the year towards past Debt liabilities.

### DE-MERGER

The Company has, pursuant to provisions of Section 391-394 of the Companies Act, 1956 and with the approvals of the shareholders and creditors as also of the Hon'ble High Court of Judicature at Bombay vide its order passed on 24<sup>th</sup> April, 2009, transferred / demerged its Steel Tubes and Pipes Undertaking at Murbad under Scheme of Arrangement into its wholly owned subsidiary M/s Lloyds Line Pipes Ltd (LLPL). The Scheme of Arrangement, inter alia, also envisaged adjustment of debit balance in the Profit and Loss account of the company amounting to Rs.131.57 crores against available balance of the Share

Premium and Capital Reserve of the company as on appointed date. The appointed date for the above transfer and adjustment was fixed as 1<sup>st</sup> November, 2008. Accordingly, all the property, assets, rights, claims, title, interest, authorities, liabilities comprised in the Steel Tubes and Pipes Undertaking of the company at Murbad, as on Appointed Date has been transferred to LLPL on going concern basis. The effective date of the above transfer is 14<sup>th</sup> May, 2009 being the date of filing the Hon'ble High Court's Order with the Registrar of Companies, Mumbai. The resulting company, LLPL will issue shares to company as a consideration of the above transfer, in terms of the scheme.

### SALE OF UNDERTAKING

Pursuant to the provisions of Section 293 (1) (a) of the Companies Act, 1956, the Company has, obtained approval of the members through postal ballot for sale / transfer of its CRCA Unit at Dombivli on Slump sale basis as the conditions of the plant and machinery of the unit were deteriorated over the years. As the company could not make any investment in the unit since 1999 due to financial constraint, the Board considered fit to dispose the unit on slump sale basis. Consequent upon the above sale, it was decided to shift the Registered Office of the company from Dombivli to Ghugus plant within the state of Maharashtra.

### PIPE DIVISION

The Steel Tubes and Pipes Division of the company has been demerged into its wholly owned subsidiary M/s Lloyds Line Pipes Ltd. from 1<sup>st</sup> November, 2008.. Hence, sales figures for the division are enumerated for the seven months of the year under review and are not comparable with the previous year's full year figures.

Pipe Division at Murbad recorded sales of **Rs. 173.32** crores during the seven months period as compared to Rs.60.25 crores in the whole previous year. The exports from the division were **Rs. 100.93** crores during the mentioned period as compared to Rs.4.91 crores during the previous year.

### SPONGE IRON DIVISION

The production in the division was **173000 MT** against 191799 MT. in the previous year. The Total Income of the Sponge Iron Division was at **Rs. 411.74** crores against Rs.321.78 crores in the previous year which was 28 % higher over the previous year.

In order to utilize, and harness the Waste gases generated while producing Sponge Iron, the Company is in the process of setting up a 30 MW power plant at its Sponge Iron plant site. The work on this is expected to be completed in the third quarter of the current financial year.

During the year 2004-05, the company floated a wholly owned subsidiary for the purpose of Iron ore mining activities. As per the order of Mines Tribunal, the revised letter issued by Government of Maharashtra (GoM) in favour of subsidiary has been set aside. Subsequently the original status has been restored by GoM and a lease has been granted in favour of the company. The matter is under litigation in a case filed by competitor before Delhi High Court. The company is taking necessary steps to safeguard its interest. In the meanwhile, the company has received all statutory permissions and necessary sanctions from the concerned authorities to commence mining operations and the mining operations will be commencing shortly. The commencement of mining will provide viable and uninterrupted source of raw material for the company's Sponge Iron Plant.

### 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.

### BIFR DE-REGISTRATION

Based on the Audited Balance Sheet for the year ended 31<sup>st</sup> March, 2002, the Company has filed a reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) on 29<sup>th</sup> 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 3<sup>rd</sup> July, 2002.

On 17<sup>th</sup> August 2005, the BIFR declared the Company as Sick in terms of Section 3(1) (o) of the SICA and appointed Industrial development Bank of India (IDBI) as the Operating Agency (OA) u/s 17(3) of the SICA to prepare Rehabilitation Scheme.

In the meanwhile, based on the Audited quarterly Accounts for the quarter ended 30<sup>th</sup> June, 2008 indicating that the Net worth of the Company has become positive as on 30<sup>th</sup> June, 2008, the company made an application to the Board for Industrial and Financial Reconstruction (BIFR) for de-registration of the company. Accordingly, Hon'ble BIFR vide its order dtd 22.09.2008 deregistered the company as sick company from the purview of provisions of Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985.

## 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 :-

- a) **Industry structure and development** : With the demand and prices of Steel undergoing several beating during the second quarter of the year under review, the steel industry has been passing through a crisis. The situation seems to have been stabilized during the last quarter of the financial year.
- b) **Opportunities and threats** : The Steel industry has a very good growth potential in years to come with rising domestic consumption on back of growing demand by sectors like infrastructure, automobiles and real estate. The ongoing worldwide recession on account of turmoil in the financial market may affect the steel industry.
- c) **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 Steel Industry outlook in immediate future looks uncertain owing to instability in the developed markets.
- e) **Risk and concerns** : Steel Industry always runs risk of Industry cycle. The Company is continuously monitoring the market development, order procurement and supply management practices and latest development in the steel industry are being introduced. Technological obsolescence, price sensitivity and demand volatility are an inherent business risks. The Company undertakes continuous development, training and modernization programme to keep its business 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 quarterly 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 both units remained harmonious. Steps were taken continuously by the Company for training its employees in various disciplines. Number of employees as on 31<sup>st</sup> March, 2009 was 561.
- 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.

## SUBSIDIARIES & CONSOLIDATED FINANCIAL STATEMENTS

During the year under review, the company has floated a wholly owned subsidiary, M/s Lloyds Line Pipes Ltd to sale / transfer of it's Steel Tubes & Pipes Undertaking at Murbad under a Scheme pursuant to Section 391 - 394 of the Companies Act, 1956.

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 and M/s Lloyds Line Pipes Ltd**, wholly owned subsidiaries, 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.

## PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year.

## DIRECTORS

During the year under review, **Shri B.B.Chadha** was appointed as additional director with effect from 28<sup>th</sup> July, 2008 who holds office upto the ensuing Annual General Meeting and the company has received a notice under Section 257 of the Companies Act, 1956 proposing his name to be appointed as Director of the company at the ensuing Annual General Meeting:

**Shri J. S. Charlu** who was appointed at the meeting of the Board of Directors held on 29<sup>th</sup> May, 2009 as additional director with effect from 29<sup>th</sup> May, 2009 holds office upto the ensuing Annual General Meeting and the company has received a notice under Section 257 of the Companies Act, 1956 proposing his name to be appointed as Director of the company at the ensuing Annual General Meeting.

**Mrs. V.M.Bharathy** was appointed as Nominee Director of IDBI, in place of **Shri D.K.Kamble** with effect from 8<sup>th</sup> September, 2008.

The Board hereby places on record it's sincere appreciation for the valuable guidance and meaningful contribution made by **Shri D.K.Kamble** as member of the Board / Committees during the period of his association with the company.

**Shri Mukesh Gupta**, 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 31<sup>st</sup> March 2009, 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 the revised 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.

Auditors' observations in Clause No. 9 (b) in the Annexure to Audit Report (CARO Report) are self explanatory and do not require further explanation

## 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.

## PARTICULARS OF EMPLOYEES

A statement pursuant to 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 B** to the Directors Report.

## ACKNOWLEDGEMENT:

Your Directors place on record their sincere appreciation and gratitude for the assistance and generous support extended by all Government authorities, Financial Institutions, Banks, Customers, Vendors and Members during the year under review. Your Directors wish to express their immense appreciation for the devotion, commitment and contribution shown by the employees of the company while discharging their duties.

For and on behalf of the Board

Dated : 29<sup>th</sup> May, 2009  
Place : Mumbai

**Mukesh 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 Murbad pipe plant of the company had achieved power factor unity since 2006-07 and continued to maintain the same.

## Sponge Iron Division

The division has achieved Electrical System Power Factor at Unity level since 2006-07 which expected to continue the same for the current year and following measures were taken for reducing electrical energy consumption :

- 1) Installation of variable speed control drives for CB Fan, Shell Air fan and lobe compressors motors.
- 2) Water harvesting and recycling process of water resulting into reduction of consumption of fresh water.
- 3) Improvement in the standards of plant housekeeping and green belt development.

## (B) RESEARCH &amp; DEVELOPMENT AND TECHNOLOGY ABSORPTION

## Pipe Division

The Murbad Plant has a separate wing for Project Development and uses in house technology for improvement in the quality of the product.

During the year under review, the Pipe division at Murbad has successfully developed production facility for new grade X-65 and supplied the products to Govt. Authorities. The division has also installed a new Automatic Lacquering machine for surface coating of black pipes to enhance the productivity in terms of quality as well as quantity of pipe products.

## Sponge Iron Division

- 1) Operating technology of 500 TPD Kiln has been changed to LURGI based concept during the year 2008-2009. The conversion of technology has improved plant productivity with substantial reduction of raw materials input and electrical power consumption per MT of DRI.
- 2) In order to reduce number of transfer points in product handling and fully utilize the product separation building, major modifications have been carried out by relocating the product screen, magnetic separators, char and semi finished product storage and improved the standards of pollution control.
- 3) Flip Flow Screen with technically advanced concept has been installed in Coal screening circuit of RMHS section to get desired particles' separation of Coal which may enable to maintain consistent quality.
- 4) Kiln to Cooler Transfer Chutes of all 4X100 TPD Kilns have been modified.
- 5) Imported coal with High F.C has been introduced to get a better coal mix with our WCL-coals, enhance the quality of fuel to achieve consistency in quality of the finished products, higher productivity and higher campaign life of kilns.
- 6) On line Ring granulator for crushing of Oversize coal from primary crusher has been installed to improve crushing efficiency of coal thereby reducing operating hour of the circuit.
- 7) Iron Ore crushing has been introduced in closed loop system with screening to separate and crush the oversize fraction of Iron Ore and avoid re-handling of material.

## (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

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

(Rs in Lacs)

	2008-09	2007-08
(1) <b>Earnings</b>		
Exports including Third Party	10092.95	491.24
(2) <b>Outgo:</b>		
Brokerage & Commission	2.33	34.54
Legal & Professional Charges	-	1.76
Travelling	23.56	20.80
Other Finance Charges	69.05	0.24
	94.94	57.34

## FORM - A

Form for Disclosure of Particulars with respect to Conservation of Energy

	UNIT	2008-09	2007-03
1 Electricity			
a) Purchased			
Units	Kwh	22226749	24433877
Total Amount	Rs.	96337785	97315309
Rate/Unit	Rs/kwh	4.33	4.00
b) Own Generation			
i) Through Diesel Generator			
Units	Kwh	91750	31340
Units per ltr. of Diesel Oil	Kwh/ltr	2.94	2.43
Cost/Unit	Rs/kwh	12.68	14.03
ii) Through Steam Turbine / Generator		NIL	NIL
2 Coal			
Quantity	Ton	359490	362282
Total Cost	Rs.	779775760	577530395
Average Rate	Rs/Tonne	2169.12	1594.15
3 Fuel Oil			
a) Furnace Oil			
Quantity	Ltr.	603484	95500
Total Amount	Rs.	16206773	2167139
Average Rate	Rs/Ltr	26.86	22.39
b) LDO/			
Quantity	Ltr.	31207	13001
Total Amount	Rs.	1163220	443914
Average Rate	Rs/Ltr.	37.27	34.14
Consumption per unit of Production			
1 PRODUCT Pipe /Tubes			
- Electricity	Kwh/MT	104.04	165.39
- Furnace Oil	Ltr/MT	26.24	7.60
- LDO	Ltr/MT	1.36	1.03
2 PRODUCT Sponge/Iron			
- Electricity	Kwh/MT	115.18	116.72
- Coal	Ton/MT	2.08	1.89

Note : Figures for Pipe Division are enumerated for the period of 7 months of the year.

For and on behalf of the Board

Dated: 29<sup>th</sup> May, 2009  
Place: Mumbai

Mukesh R Gupta  
Chairman

## ANNEXURE B

INFORMATION UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF THE EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

Sr. No.	Name	Designation	Remuneration (Rs in Lacs)	Qualification	Age (years)	Experience (years)	Date of joining	Previous Employment
1	B.L.Agarwal	Managing Director	25.44	B.Com., LL.B.	63	43	01.01.1995	Business

Notes :

1. Remuneration includes salary, allowances, leave travel assistance, reimbursement of medical expenses, company's contribution to provident fund and monetary value of other perquisites calculated in accordance with provisions of Income tax Act, 1961 and rules made there under.
2. The above employee is not related to any director of the company.
3. The employment of the above employee is regular and subject to the rules and regulations of the company.
4. The employee does not hold more than 2 % of paid up capital of the company.

For and on behalf of the Board

Dated: 29<sup>th</sup> May, 2009  
Place: Mumbai

Mukesh R Gupta  
Chairman



## CORPORATE GOVERNANCE

### Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Lloyds Metals & Engineers Limited

We have examined the compliance of the conditions of Corporate Governance by Lloyds Metals & Engineers Limited, for the year ended 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of **TODARWAI & TODARWAI**  
Chartered Accountants

**Sunil Todarwai**  
Partner  
M.No. 32512

Dated : 29<sup>th</sup> May, 2009  
Place : Mumbai

### NOTE ON CORPORATE GOVERNANCE

#### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :-

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operation, and all its interactions with the stakeholders including shareholders, employees, customers, government and suppliers.

#### 2. BOARD OF DIRECTORS

The Board of the Company has a combination of Executive, Non-Executive and Independent Directors headed by Non-executive Chairman.

During the financial year 2008-09, five (5) Board Meetings were held on 16<sup>th</sup> May 2008, 28<sup>th</sup> July 2008, 14<sup>th</sup> August, 2008, 25<sup>th</sup> October 2008 and 30<sup>th</sup> January, 2009 respectively.

Details of Directors attendance at Board Meetings and the last Annual General Meeting and number of directorship / membership as on 31<sup>st</sup> March, 2009 are as follows :-

Director	Category of Directorship	No. of meetings held	No. of Meetings Attended	Last AGM Attended	No. of Directorship on Board of other public Companies	No. of other company Committees where he is a Chairman (C)/Member (M)
Mr. Mukesh .R Gupta	Non-Executive/ Promoter	5	5	Yes	3	1(M)
Mr. Rajesh .R Gupta	Non-Executive/ Promoter	5	5	Yes	3	1(M)
Mr. B.L. Agarwal	Executive/ Promoter	5	5	Yes	3	1(C) / 1(M)
Mr. Shantanu Mohapatra	Non-Executive Independent	5	4	Yes	2	
Mr. D.K. Kambale	Independent IDBI Nominee	5	3	No	1	
Mr. B. B. Chadha	Non-Executive Independent	5	4		4	1 (C) / 4(M)
Mrs. V.M. Bharathy	Independent IDBI Nominee	5	2		NIL	

# Appointed as Independent Director w.e.f. 28<sup>th</sup> July, 2008

\* Withdrawn as Nominee Director w.e.f. 8<sup>th</sup> September, 2008.

@ Appointed as Nominee Director in place of Mr. D.K. Kambale w.e.f. 8<sup>th</sup> September, 2008

### CODE OF CONDUCT

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management Personnel. The said code has been communicated to the Directors and the Members of the Senior Management Personnel which is also affirmed by them for the financial year ended 31<sup>st</sup> March, 2009. The declaration to this effect by Managing Director is annexed at the end of this report.

The Code has also been posted on the Company's website at [www.lloyds.in](http://www.lloyds.in).

#### 3. AUDIT COMMITTEE:-

##### ❖ Terms of Reference

The role and terms of reference of the Audit Committee covers the areas mentioned in the Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292 A of the Companies Act, 1956, as amended from time to time, besides other matters as may be referred by the Board of Directors. These, inter alia, include the Review of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, Review of the adequacy of internal control systems and advising the necessary steps to be taken to correct the weaknesses, Review of the quarterly and annual financial statements before submission to the Board for approval, Review of financial and risk management policies and practices etc.

##### ❖ Composition, No. of meetings held and attendance during the year

As on 31<sup>st</sup> March, 2009, the Audit Committee comprised of 4 Non-executive Directors including 1 Nominee Director.

During the financial year 2008-09, Five (5) Meetings of Audit Committee were held on 16<sup>th</sup> May 2008, 28<sup>th</sup> July 2008, 14<sup>th</sup> August, 2008, 25<sup>th</sup> October 2008 and 30<sup>th</sup> January, 2009 respectively.

Name of Director	Position	No. of Meetings held	No. of meetings attended	Remarks
Mr. Shantanu Mohapatra	Chairperson	5	4	
Mr. Mukesh R Gupta	Member	5	5	
Mr. D.K. Kambale	Member	5	3	Withdrawn as Member w.e.f. 08.09.2008
Mr. B.B. Chadha	Member	5	3	Appointed as Member w.e.f. 26.07.2008
Mrs. V.M. Bharathy	Member	5	2	Appointed as Member w.e.f. 08.09.2008

Mr. Shyamal Padhiar is acting as secretary to the committee.

#### 4. REMUNERATION COMMITTEE

The present Remuneration Committee comprises of three Non Executive Independent Directors. The Company had earlier constituted a Remuneration Committee of the Board comprising of three (3) Non-executive Independent Directors. However, since withdrawal of one Nominee Director from the Board, position was vacant for some time. The said position has been filled since appointment / replacement of one more Independent and Nominee Director on the Board.

The remuneration of Director in all the cases is decided by the Board as per the Remuneration policy of the company subject to necessary approval of shareholders, remuneration committee and other applicable approvals, if any. Save and except Mr. B.L. Agarwal, Managing Director, no other director has drawn remuneration during the financial year 2008-09.

Mr. B.L. Agarwal has been appointed as a Managing Director for a term of five years w.e.f. 1<sup>st</sup> January, 2005 and is responsible for day to day affairs of the Company. During the year Mr. B.L. Agarwal been paid as per provisions of Schedule XIII of the Companies Act, 1956 minimum remuneration of Rs.25.44 Lacs by way of Salary, Perquisites & Contribution to Provident Fund. For remuneration paid to Managing Director from 1<sup>st</sup> January, 2005 onwards necessary application has been made for approval of Central Government.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per Board and Audit Committee meeting attended by them.

❖ **Details of shares held by Non-Executive directors in their own name as on 31<sup>st</sup> March, 2009.**

S.No.	Name of the Director	No. of Equity Shares held (Face value Rs. 2/- each)
1.	Mr. Mukesh Gupta	353650
2.	Mr. Rajesh Gupta	345860
3.	Mr. Shantanu Mohapatra	NIL
4.	Mr. B.B.Chadha	NIL
5.	Mrs. V.M. Bharathy	NIL

**5. SHAREHOLDER'S AND INVESTOR'S GRIEVANCE COMMITTEE:-**

The company has constituted the Share Transfer & Investor Grievance Redressal Committee comprising of 3 Directors namely Mr.Mukesh R.Gupta, Mr.B.L.Agarwal and Mr.Rajesh R.Gupta. The committee is headed by Mr.Mukesh R.Gupta, a Non-executive Director.

The committee oversees the performance of the Registrar and Share Transfer Agents, recommends the measures to improve the level of investor services and matters pertaining to shareholder's complaints and grievances.

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

The company has incorporated a grievance redressal division for the purpose of registering complaints by investors and for its speedy disposal. The investors therefore are requested to send their grievance, if any, on [investor@lloyds.in](mailto:investor@lloyds.in).

The Company's Registrar & Transfer Agent M/s Bigshare Services Pvt. Ltd. recently launched Gen- next Investor Module i'Boss, the most advanced tool to interact with shareholders. The investors may login into i'Boss ([www.bigshareonline.com](http://www.bigshareonline.com)) to help the Company to serve better.

The committee meets weekly/ fortnightly for the approval of the share transfer / split / consolidation / replacement and issue of duplicate share certificates etc.

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

Description	Received	Replied
Direct	78	78
Bombay Stock Exchange	2	2
SEBI	5	5
MCA	2	2
Investor's Association	-	-
<b>TOTAL</b>	<b>87</b>	<b>87</b>

**6. GENERAL BODY MEETING**

a. Details of last 3 Annual General Meetings (AGM) :-

Year	Location	Date	Time
2005-2006	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	03.07.2006	11.30 a.m.
2006-2007	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	02.08.2007	11.30 a.m.
2007-2008	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201. Dist- Thane	10.07.2008	11.30 a.m.

b. No Extra Ordinary General Meeting ( EGM ) was held during the last year.

c. Details of Special Resolution passed in last 3 AGMs :

Date of AGM	Details of Special Resolution
03.07.2006	Issue of Equity shares on Preferential basis by conversion of Preference shares
02.08.2007	No Special Resolution passed
10.07.2008	No Special Resolution passed

d. The Company has passed following Resolutions through Postal Ballot during the last year.

Type of Resolution	Details of Transaction
Ordinary	Sale of Undertaking pursuant to Section 293(1) (a) of the Companies Act,1956
Special	Shifting of the Registered Office of the company

Mr. K.C. Nevatia, Practising Company Secretary who was appointed as Scrutinizer, conducted the postal ballot exercise. Based on the Report of the Scrutinizer, the Chairman declared that the Ordinary Resolution was passed with majority votes of 99.96 % and Special Resolution with 99.94 %.

At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

**7. DISCLOSURES**

a) Disclosures on materially significant related party transactions 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 were no such transactions during the year. The details of transactions with related parties are disclosed in the accounts.

b) Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee :

No personnel have been denied access to the audit committee.

c) 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

d) Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

The company has complied with all the mandatory requirements. As regards the Non-Mandatory requirements they are complied with to the extent possible.

**8. CEO/CFO CERTIFICATION**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFO certification.

**9. MEANS OF COMMUNICATION**

The Quarterly and Annual Results are published in Navshakti and Free Press Journals and are displayed on Company's website [www.lloyds.in](http://www.lloyds.in). Pursuant to Clause 51 of the Listing Agreement, the results are also displayed on the Electronic Data Information Filing and Retrieval ( EDIFAR ) website maintained by National Informatics Centre ( NIC).