



**29<sup>th</sup>**

**Annual Report**  
**2005 - 2006**

**Lloyds 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

### 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 29<sup>th</sup> Annual General Meeting of the Members of **LLOYDS METALS & ENGINEERS LIMITED** will be held at Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East) - 421 201, Dist. Thane on Monday, the 3<sup>rd</sup> July, 2006 at 11.30 a.m. to transact the following business :

### ORDINARY BUSINESS:

1. To consider, approve and adopt the audited Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March, 2006 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 R. Gupta, 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 reenactment 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 of which the Board 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 50,00,000 (Fifty Lacs) equity shares of Rs.10/- each at a premium of Rs.36/- per equity share, to Promoters / Non Promoters 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 Committee of the Board constituted for the purpose 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. 36.71/- (including a premium of Rs. 26.71/- 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. 3<sup>rd</sup> June, 2006, 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. 23 crores."

**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 of any financial instrument, 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 be and hereby authorized 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 but without limitation, to sign all

deeds, documents, instruments and writings and to pay any 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 the Company.

By Order of the Board,

**Neelu Dhingra**  
Company Secretary

Place : Mumbai  
Date : 5<sup>th</sup> June, 2006

### 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 **Tuesday, the 27<sup>th</sup> day of June 2006 to Monday, the 3<sup>rd</sup> day of July, 2006** (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 name, 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., E-2/3, 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 31<sup>st</sup> 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, 2<sup>nd</sup> 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 31<sup>st</sup> 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. Mukesh R.Gupta
Age	: 48 years
Qualification	: B.Com.
Expertise	: Having over two decades of vast and varied experience in Steel Industry. He has rich experience in the field of implementation of projects, finance, marketing and procurement of material.
Other Directorship	: Lloyds Steel Industries Limited, Vidarbha Power Limited

**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. 23,00,00,000/- into equity shares on preferential basis to Promoters/ Non promoters 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 Shareholders 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. 46.00 per equity share including a premium of Rs.36.00/- per share. As per the SEBI (DIP) Guidelines, 2000 the price for equity shares of Rs.10/- each has been determined at Rs.36.71/- per share on the relevant date i.e. 3<sup>rd</sup> June 2006, based on the quotations available at the Stock Exchange, Mumbai. Auditor's Certificate regarding necessary compliance including pricing of the issue will be laid before the meeting. The issue price of Rs.46.00/- per share is 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, M/s ASP technologies Limited and other two Non promoters.

- (4) **Shareholding pattern before and after the offer:** The shareholding pattern of the Company, before and after the preferential allotment would be as follows :

	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	5397154	32.40	7436854	34.34
2)	Non Promoters				
i.	M/s. Uttam Exports Pvt. Ltd.	Nil	Nil	1478000	6.82
ii.	M/s Halan Properties Pvt. Ltd.	Nil	Nil	1482300	6.85
3)	Mutual Funds & UTI	4200	0.03	4200	0.01
4)	Banks/Financial Institutions / Insurance Companies (Central/ State Government. Institutions / Non-Government Inst.)	101200	0.61	101200	0.47
5)	FII's/NRIs/OCBs	1479064	8.88	1479064	6.83
6)	Private Corporate Bodies	5940403	35.66	5940403	27.44
7)	Indian Public	3710060	22.27	3710060	17.13
8)	Any Other (Clearing Members)	24052	0.14	24052	0.11
	<b>Total Paid up capital</b>	<b>16656133</b>	<b>100</b>	<b>21656133</b>	<b>100</b>

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 Promoter, M/s. ASP Technologies Limited and Non-Promoters, M/s Uttam Exports Pvt. Ltd. and M/s Halan Properties Pvt. Ltd.. The percentage of post preferential issue capital that may be held by them together with the person acting in concert to them 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).

By Order of the Board,

Place : Mumbai  
Date : 5<sup>th</sup> June, 2006

Neelu Dhingra  
Company Secretary

## DIRECTORS' REPORT

The Directors present their 29<sup>th</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, 2006.

### FINANCIAL HIGHLIGHTS

	Current Year 2005-06 (Rs.in Lacs)	Previous Year 2004-05 (Rs.in Lacs)
Sales :	29504.68	28116.50
Other Income	37.52	44.30
Total Income :	29542.20	28160.80
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	89.54	2579.60
Less : Finance Charges	504.93	416.02
Depreciation	1580.18	1610.55
Profit / (Loss) before exceptional items & taxes	(1995.57)	557.03
Exceptional items (Net)	6207.07	2425.51
Profit/(Loss) before tax	4211.50	2982.54
Less : Tax Provision	6.28	0.00
Profit/(Loss) after Tax	4205.22	2982.54
Add/Less: Prior Period Income	4.70	15.19
Less: Sales Tax paid of earlier year	0.00	35.41
Net Profit/ (Loss)	4209.91	2962.32
Profit / (Loss) b/f from previous year	(21260.27)	(24242.59)
	(17050.36)	(21280.27)
Less:- Transferred from Investment Allowance Reserve (Utilised)	0.00	20.00
Balance Carried Forward	(17050.36)	(21260.27)

### DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31<sup>st</sup> March, 2006.

### OPERATIONS & OVERALL PERFORMANCE

The Steel Industry, after witnessing a good earning during the period of earlier two years, has seen a melt down in prices during the year under review, affecting severely the profitability of steel industry. The year also saw a sharp increase in the cost of raw materials, mainly iron ore and coaking coal, further eroding margins.

The Total Income of the Company was Rs.295.42 crores during the year as against Rs.281.60 crores in the previous year, showing a marginal rise of 5%. The Company has reported a Net Profit of Rs. 42.11 crores as against a net Profit of Rs. 29.83 crores in the previous year mainly due to exceptional adjustments on account of write back of past interest provisions upon negotiated restructuring of debt.

### 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 about Rs.147 crores has been restructured, which resulted in a

reduction of debt of over Rs.84 crores for the Company. This has further brought down the debt servicing cost. In accordance with the restructured terms, the Company has paid off Rs. 15.75 crores during the year towards past Debt liabilities. The Restructuring proposals are under various stages of discussion with remaining lenders.

### PREFERENTIAL ISSUE OF SHARES

The Company has taken approval of shareholders in the last Annual General Meeting to issue equity shares on preferential basis for part conversion of existing Preference Shares. However the said exercise remained inconclusive due to denial of stock exchange approval for some technical reasons.

The Company is now proposing to take a fresh approval of shareholders to issue equity shares on preferential basis by way of conversion of entire existing Preference Shares into equity in such manner to the Promoters / Non promoters as may be decided by the Board of Directors 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 been Rs. 157.00 crores as compared to Rs.159.65 crores in the previous year showing a marginal decline. The Company's exports were Rs.75.57 crores during the year as compared to Rs.86.97 crores during the previous year. The share of export constitutes 48% of turnover of the division as compared to 54% in the previous year.

### SPONGE IRON DIVISION

The Total Income of the Sponge Iron Division was at Rs.138.07 crores as against Rs.121.51 crores in the previous year which was 14% higher over the previous year. The Company has enhanced the capacity of its plant to 240000 TPA from the existing 150000 TPA. The additional capacity has become operational in a phased manner over the year. The production level of the plant is likely to attain a quantum jump during the current financial year.

### 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 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 IDBI as the Operating Agency (OA) to prepare a Draft Rehabilitation Scheme (DRS) for the company.

The Company has submitted a draft rehabilitation scheme (DRS) to the IDBI, OA with the copy of the same to the BIFR. After convening lenders meeting and eliciting their view, DRS will be submitted to BIFR.

### 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 :** After going through a turbulent time between 1997 and 2001, Steel industry started coming back on its feet during the last two years period of 2003-2005. However the year 2005-06 proved to be a very tough year for the steel industry.
- 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 stabilisation after remaining dull throughout the previous year.
- e) **Risk and concerns:** The year under review has been a bad 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 both units remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines. Number of employees as on 31<sup>st</sup> March, 2006 was 517.
- 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

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 Mukesh R. 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 2006, 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.

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: 25<sup>th</sup> May, 2006

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 at its Murbad Pipe plant has installed additional 500 KVAR capacitor with automatic power factor correction panel to achieve power factor. This has resulted in the Company getting P. F. incentive @ 7 % on energy consumption during the year on its power bills. The Plant has enhanced the capacity of H. F. Welder of Mill No. 3 from 250 KW to 300 KW. This has helped to increase the mill speed and has resulted in energy savings of 15%.

##### Sponge Iron Division

Ghugus Sponge Iron division has done remarkable work for reducing electrical energy consumption by taking various steps. Following are the achievements made.

- Modified the port grids design which supplies combustion air to ensure required air input to the kiln so that kiln can operate at its rated capacity reducing overall power consumption by increasing productivity.
- Existing 2 Nos. HP compressors have been thoroughly overhauled so that only one compressor should cater the need of entire process air requirement for 500 tpd kiln. This has resulted in power saving by almost by 5%.
- Efforts are still on to reduce electrical power consumption by proper maintenance/overhauling of important equipments and replacing higher capacity fans / blowers with mod. fed designed fans.

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

Research & Development, Technology Absorption, Adoption and Innovation

##### 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.

- In house machine is developed for swaged end for Export orders in the sizes from 25mm NB to 50mm NB for the thickness 2.5mm and below Commercial production and order execution started
- Applied for licence for API monogramming. For the purpose we have already initiated to install the following new equipments and work is in progress.
  - New Hydrotesting Machine with capacity to test upto 650kg/cm<sup>2</sup> - approximately 9200 PSI.
  - Off line auto ultrasonic testing equipment is being installed.
  - On line Eddycurrent testing facility for 4" and 6" is modified.
  - New Electronic control tensile testing machine and charpy impact test equipment being installed.
  - 5 Weld pressure roll assembly for better welding quality.
- Preliminary trial of rolling H-40 grade API 5 CT has been successfully complete. The entire process of manufacture was checked and verified by third party - DNV and was totally found satisfactory.
- Successfully rolled higher grade API 5 L variety.
- Automatic graph recorder for Hydrostatic pressure has been installed for Mill No.2 Hydro testing machine.

##### Sponge Iron Division

In order to bring 500 TPD kiln to its rated capacity main constraint we found input quality and quantity of raw materials. Three main raw materials responsible to achieve rated capacity are iron ore, coal and air.

- Iron ore :**  
It has been decided that high yield ore from Barbil (Orissa) to have increased use in 500 tpd kiln which will give consistent performance.
- Coal :**  
The coal quality deterioration has resulted into higher consumption leading to lower capacity production. Washed coal trials have been taken and is being continued to use as it gives better production and proper control of sulphur levels as desired by the customer. In pursuance to this coal washers design has been finalized and erection work is under progress to wash coal in our premises only.
- Air :**  
A Number of times Port grids on the kiln have been found as a main constraint for blocking air path resulting into improper temperature profile affecting the production levels. Higher capacity utilization existing ID fan has been replaced with new energy efficient fan designed and supplied by M/s Flakt India Ltd. Trials have been taken by using air blaster to clear the port grids which has increased our hopes to maintain port grids free from blockages. Also out of 288 No. port grids provided on the kiln we have opened 72 Nos. port grids and opening were made directly available for air supply thus increasing combustion air supply to the kiln. This has resulted into +425 MT/ day production on consistent basis. Further studies are going on to make this port free from any blockages.

### (A) FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

	2005-06	(Rs in Lacs) 2004-05
(1) <b>Earnings</b>		
Exports including Third Party	7557.39	8696.57
	7557.39	8696.57
(2) <b>Outgo :</b>		
Interest	62.32	85.37
Brokerage & Commission	61.50	37.34
Legal & Professional Charges	2.95	7.97
Travelling	0.65	3.12
Other Finance Charges	0.59	15.55
	65.69	149.35

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

M. R. GUPTA  
Chairman

## FORM -A

Form for Disclosure of Particulars with respect to Conservation of Energy

	UNIT	2005-06	2004-05
<b>1 Electricity</b>			
a) Purchased			
Units	Kwh	17427020	15282600
Total Amount	Rs.	60968686	53984420
Rate/Unit	Rs./kwh	3.50	3.53
b) Own Generation			
i) Through Diesel Generator			
Units	Kwh	153920	125180
Units per ltr. of Diesel Oil	Kwh/ltr	3.13	3.02
Cost / Unit	Rs/kwh	11.37	9.09
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
<b>2 Coal</b>			
Quantity	Ton	265510	227006
Total Cost	Rs.	330974448	253608707
Average Rate	Rs/Tonne	1246.56	1117.19
<b>3 Fuel Oil</b>			
a) Furnace Oil			
Quantity	Ltr.	843500	562500
Total Amount	Rs.	12176090	5661916
Average Rate	Rs/Ltr	14.44	10.07
b) LDO /			
Quantity	Ltr.	49185	41420.50
Total Amount	Rs.	1749721	1138290
Average Rate	Rs/Kl	35.57	27.48
<b>Consumption per unit of production</b>	UNIT	2005-06	2004-05
<b>1 PRODUCT Pipe / Tubes</b>			
- Electricity	Kwh/MT	99.68	111.85
- Furnace Oil/LDO	Ltr/MT	17.52	12.36
<b>2 PRODUCT Sponge/Iron</b>			
- Electricity	Kwh/MT	110.71	115.92
- Furnace Oil	Ltr	Nil	Nil
- Coal	Ton/MT	2.30	2.47
- LDO	Ltr	Nil	Nil

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

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, 2006 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 Todorwal & Todorwal  
Chartered Accountants

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

Sunil Todorwal  
Partner

### 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	Attended	Last AGM Attended	No. of Directorship in other Public Company	Remarks
Mukesh R. Gupta	4	4	Yes	2	—
Rajesh R. Gupta	4	4	Yes	2	—
B.L. Agarwal	4	4	Yes	3	—
D. K. Kamble	4	3	No	1	—
Shantanu Mohapatra	4	3	No	—	—
Sameer Phutane	4	3	No	2	—

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 2005, 29th July 2005, 28th October 2005 and 27th January 2006.

#### CODE OF CONDUCT :

The Board of Directors has adopted the Code of Conduct for Directors and Senior Management. The said code has been communicated to the Directors and the Members of the Senior Management. The Code has also been posted on the Company's website at [www.lloydsigroup.com](http://www.lloydsigroup.com).

#### 3. AUDIT COMMITTEE

##### a) Terms of Reference

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

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board
- Reviewing with the management, the adequacy of internal control and audit system.
- Discussing with internal auditors any significant findings and follow up on such issues.
- Reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board.

- Discussing with external auditors before the audit commences on the nature and scope of audit as well as having post audit discussion to ascertain any area of concern.

- Review of financial and risk management policies and practices.

##### b) Composition, name of Members and Chairperson

As on 31st March, 2006 the Audit Committee comprised of 4 Directors with 3 Independent Non- executive Directors, including 2 Nominee Directors as follows

Mr. Shantanu Mohapatra	Chairperson & Independent Director
Mr. Mukesh R Gupta	Group Chairman
Mr. D K Kamble	IDBI Bank Nominee Director
Mr. Sameer Phutane	ICICI Bank Nominee Director

##### c) Meetings and attendance during the year

The Committee has met 4 times during the financial year ended March 31st, 2006 i.e. 30th May 2005, 29th July 2005, 28th October 2005 and 27th January 2006. The attendances of the members are as under:-

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

##### 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 is headed by Mr. Mukesh R Gupta a non executive director.

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
Direct	52	52
Bombay Stock Exchange	1	1
SEBI Complaints	4	4
DCA	0	0
Investor's Association	0	0
<b>TOTAL</b>	<b>57</b>	<b>57</b>

##### 6. GENERAL BODY MEETING

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

Year	Location	Date	Time
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	25.03.2004	11.30 a.m.
2004-2005	Dombivli Gymkhana, P-9, MIDC, Phase-I, Dombivli (East)- 421 201, Dist- Thane	04.08.2005	11.30 a.m.

- Whether any special resolution was passed in the previous 3 AGMs: Yes
- Whether any special resolution passed last year through Postal Ballot: Not Applicable

## 7. DISCLOSURE

- a) Disclosures 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 transactions during the year.
- b) 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
- c) Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee :  
No personnel has been denied access to the audit committee.
- 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 maximum extent.

## 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 Results are published in Navshakti and Free Press Journals and are displayed on Company's website www.lloydsgruop.com

## 10. GENERAL SHAREHOLDER INFORMATION

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

### I Annual General Meeting

Date : Monday, 3rd July, 2006

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

### II Financial Calendar : (tentative)

Results for quarter ending 30.06.2006 Fourth Week of July 2006  
Results for quarter ending 30.09.2006 Fourth week of October 2006  
Results for quarter ending 31.12.2006 Fourth week of January 2007  
Results for quarter ending 31.03.2007 Fourth week of May 2007.

### III Book Closure Date

Tuesday, 27<sup>th</sup> June, 2006 to  
Monday, 3<sup>rd</sup> July, 2006  
(both days inclusive)

### IV Dividend Payment date

Not declared

### V Listing of Equity Shares on Stock Exchanges at

Mumbai

### VI Stock Code 512455 -

Bombay Stock Exchange  
ISIN No.: INE281B01016

### VII Stock Market Data

Bombay Stock Exchange

	(BSE) High	(In.Rs.) Low	BSE Sensex Close
April 2005	49.40	39.45	6154
May 2005	42.45	36.30	6715
June 2005	41.45	25.10	7194
July 2005	36.60	25.00	7635
Aug. 2005	63.55	26.75	7805
Sept. 2005	67.70	45.25	8634
Oct. 2005	52.25	28.30	7892
Nov. 2005	43.00	30.10	8789
Dec. 2005	35.50	28.75	9398
Jan. 2006	34.80	26.30	9920
Feb. 2006	31.00	22.05	10370
Mar. 2006	42.75	26.05	11279

### VIII. 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 (E), Mumbai- 400 072.

## IX 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.

## X Distribution of shareholding as on 31st March, 2006

Promoters	32.40%
Banks/ Financial Institutions	00.61%
MFs & UTI	00.03%
FII	00.00%
Others	66.96%

No. of Shares Held	No. of Shareholders		No. of Shares Held	
	Total	% of Total	Total	% of Total
1 - 500	19926	97.14	2379611	14.29
501 - 1000	305	1.49	246427	1.48
1001 - 2000	119	0.58	191212	1.15
2001 - 3000	38	0.19	96519	0.58
3001 - 4000	17	0.08	60605	0.37
4001 - 5000	13	0.06	62428	0.37
5001 - 10000	27	0.13	195634	1.17
10001 and Above	68	0.33	13423697	80.59
<b>Total</b>	<b>20513</b>	<b>100.00</b>	<b>16656133</b>	<b>100.00</b>

## XI Dematerialisation of Shares

Over 83.96% of the shares have been dematerialised upto 31st March, 2006.

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.

## XII Outstanding GDRs/ADRs/Warrants or any convertible instruments, Conversion date and likely impact on the Equity

Not Applicable

## XIII 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.

## XIV (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.

### 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

## (ii) Any query on Annual Report

### Secretarial Department :

Modern Centre, "B" Wing, 2nd Floor, Sane Guruji Marg,  
Mahalaxmi, Mumbai- 400 011.  
Tel. No. 3041 8111, Fax No. 3041 8260

## DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management personnel have confirmed compliance with the code of conduct for the financial year ended March 31, 2006.

For Lloyds Metal & Engineers Ltd.

Place : Mumbai  
Date : 25th May, 2006

B L Agarwal  
Managing Director