



40th
Annual Report
2009-2010

LLOYDS STEEL
INDUSTRIES LIMITED

BOARD OF DIRECTORS

CHAIRMAN MUKESH R. GUPTA

MANAGING DIRECTOR RAJESH R. GUPTA

DIRECTORS

B.L. AGARWAL

B. RAVINDRANATH (IDBI NOMINEE)

R.PARTHASARATHY (IFCI NOMINEE)

S.K.GUPTA (ARCIL NOMINEE)

K.A. KRISHNA RAO

BANKERS

STATE BANK OF INDIA

THE FEDERAL BANK LIMITED

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LIMITED

AUDITORS

TODARWAL & TODARWAL

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 – 40430 200 / 299

Fax No. - 022 - 2847 5207

E-mail - bss@bigshareonline.com

REGISTERED OFFICE :

Modern Centre,
'B' Wing, 2nd Floor,
Sane Guruji Marg, Mahalaxmi,
Mumbai – 400 011.

WORKS

Steel Plant :-

Lloyds Nagar,
Bhugaon Link Road,
Wardha, Maharashtra, India

Engg. Plant :-

Plot No. A-5/5 & A-6/3
MIDC Industrial Area,
Murbad. Dist Thane,
Maharashtra, India.

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NOTICE

NOTICE is hereby given that the 40th Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on **Thursday, 29th July, 2010** at 11.00 a.m. to transact the following business :-

ORDINARY BUSINESS:

1. To consider, approve and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 2010 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint Shri K.A.Krishnarao, Director who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.

By order of the Board

Place: Mumbai
Dated: 24th May, 2010

S. N. Tiwari
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from **Tuesday, 20th July, 2010 to Thursday, 29th July, 2010** (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 bring their copy of Annual Report for the purpose of attending the meeting.
6. Members are requested to kindly notify changes, if any, in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., (Unit : Lloyds Steel Industries Limited) at E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
7. Members are requested to quote their Folio No. and DP ID / Client ID, in case of shares are in physical / dematerialized form, as the case may be, in all their correspondence with the Company / Registrar and Share Transfer Agent.

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING 40TH ANNUAL GENERAL MEETING (Pursuant to clause 49 of the Listing Agreement)

- | | |
|--|---|
| 1. Name | Shri K.A.Krishnarao |
| 2. Brief Resume | |
| Age | 71 years |
| Qualification | M.A. (Economics) |
| Experience | 43 years |
| Date of appointment on the Board of the company | 28.10.2006 |
| 3. Nature of expertise in Specific functional Areas | Vast and varied experience in Steel Industry. |
| 4. Name(s) of other Companies in which Directorship held | Nil |
| 5. Name(s) of other companies in which he is Chairman / Member of the *Committee(s) | Nil |
| 6. No. of shares held of Rs.10/- each | 5000 |
| 7. Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act,1956) | — |

* Committees means only Audit and Shareholder's / Investor Grievance Committee as per Clause 49 of the Listing agreement.

By order of the Board,

Place : Mumbai
Date : 24th May, 2010

S. N. Tiwari
Company Secretary

DIRECTORS' REPORT

The Directors present their 40th Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

(Rs.in Lacs)

| | Current Year 2009-2010 | Previous Year 2008-09 |
|--|---------------------------|--------------------------|
| Sales : | 305278.06 | 284156.44 |
| Other Income | 447.09 | 642.25 |
| Total Income : | 305725.15 | 284798.69 |
| Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax | 10621.41 | (8757.26) |
| Less: Finance Charges | 4897.03 | 5099.65 |
| Depreciation | 11668.20 | 11579.27 |
| Profit / (Loss) before exceptional items & taxes | (5943.82) | (25436.18) |
| Add: Exceptional items (Net) | (1807.86) | 8966.14 |
| Profit/(Loss) before tax | (7751.68) | (16470.04) |
| Tax Provision | - | 42.09 |
| Profit/(Loss) after Tax | (7751.68) | (16512.13) |
| Add: Prior Period Income / (Expenses) | (56.41) | 26.68 |
| Net Profit/ (Loss) | (7808.09) | (16485.45) |
| Profit / (Loss) b/f from previous year | (142795.57) | (126310.12) |
| Balance Carried Forward | (150603.66) | (142795.57) |

DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31st March, 2010.

OPERATIONS & OVERALL PERFORMANCE

The domestic steel industry has registered a consumption growth of about 8% during the year 2009-10 with consumption figures reaching to 56.3 million tonnes from 52.3 million tonnes in the previous year. This was partly due to various measures initiated by the government. With production of about 60 million tonnes of crude steel during the year 2009-2010, India emerged as the third largest steel producer in the world. The Industry is expected to achieve a substantial increase in crude steel production capacity by the year 2012. The steel prices started to show an increase from the second quarter of the year as the major steel companies raised their prices on back of steep rise in input costs. The increase in demand and increasing steel prices backed by robust demand from automobile and infrastructure sector helped the steel industry to record a good growth. The global steel industry is expected to recover in 2010 on the back of government stimulation packages, the continued stabilisation of financial systems and a return of consumer confidence.

The Company achieved a Turnover of **Rs. 3052.78** crores as against Rs. 2841.56 crores in the previous year, showing an increase of **7.4%**. The Company incurred a Loss, before exceptional items, of **59.43** crores during the year as compared with previous year loss of Rs. 254.36 crores after providing depreciation of **116.68** crores (Previous year Rs. 115.79 crores).

The company is in the process of modernising and modifying its steel plant at Wardha by installing some new equipment/s, modification of existing equipments and up-gradation of utility system and other auxiliary facilities. The above modernization and debottlenecking would enable the plant to make optimum use of its capacities at various stages of production.

Debt Restructuring

Restructuring proposals of debts with the Financial Institutions and Banks are under various stages of discussion with the lenders. In spite of Company facing a very difficult situation, the Company has paid off **100.23** crores during the year towards past Debt liabilities in accordance with the restructuring terms.

Steel Products

Sale of steel products during the year under review has been **1825.36 crores** as against the previous year figure of Rs. 2009.20 crores. Owing to poor demand from global customers the exports has almost dried up during the year at **2.13 Crores** as against Rs.158.93 Crores recorded during the previous year.

Engineering Products

During the year under review the sales of engineering products were **379.14 crores** as compared to the previous year of Rs. 271.51 crores showing an increase of Rs. 107.63 crores. The Company during the year has supplied critical items for projects G.R.S.E. and equipments for Uttam Galva Steels Ltd., Uttam Galva Metalics Ltd. and Balkrishna Industries Ltd. The division has completed its project of supply and commissioning of Marine Loading Arms to Essar Construction Ltd.. The Division continues to support in supply of Spares and Services to all the major Oil, Gas, Port Trust and various Government bodies. The Company has been successful in obtaining further orders from Indian Oil Corporation Ltd, Brahmaputra Cracker & Polymer Ltd., National Aluminium Co. Ltd., Mangalore Chemicals & Fertilizers Ltd., & Indian Oil Corporation Ltd., Welspun Maxsteel Ltd. & Uttam Galva Metalics amongst others for their Projects.

PREFERENTIAL ISSUE

During the year under review, in terms of restructuring of the debts with a financial institution, the company has allotted 1,30,00,000 Equity shares of Rs.10/- each at par on preferential basis to a financial institution against part conversion of its existing loan after obtaining approval of the members in the Extra Ordinary General Meeting held on 25th January, 2010. The Company has received listing approval from both BSE and NSE in respect of the aforesaid shares.

During the year, In order to raise resources for modernization/ debottlenecking and working capital requirements the Company has also allotted 16,85,00,000 Warrants of Rs. 10/- each convertible into Equity Shares of Rs. 10/- each on preferential basis to the promoters. The Warrants are convertible at the option of the holder at any time within a period of 18 months from the date of allotment

MANAGEMENT DISCUSSION AND ANALYSIS

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

- a) **Industry structure and development :** The steel Industry in India has successfully come out of the adverse effects of the global economic slowdown and registered a positive growth during the previous year. The National Steel Policy has fixed a target of taking steel production up to 110 MT by 2019–20. Nonetheless, with the current rate of ongoing green-field and brown-field projects, the Ministry of Steel has projected India's steel capacity to touch 124.06 MT by 2011–12. The Engineering Products of the Company has been approved for its engineering skills/works/services by various premier consulting companies and Inspection Agencies such as Engineers India Ltd, MECON, LRIS, BVIS, amongst various other agencies. The Division has further been approved by Industrial Boiler Regulatory Authority (IBR). The Engineering segment is highly competitive in view of tough competition from foreign companies / agencies and giant public / private sector undertakings. The development of engineering industry depends on the development of core sectors and the infrastructure sector.
- b) **Opportunities and threats:** The Indian steel Industry witnessed an upward trend during the previous year. It has huge scopes in the future with massive scale of infrastructural development happening all across the country. This upward trend is expected to be continued on account of favourable conditions like competitive prices, increase in consumption of steel owing to upcoming infrastructure and Greenfield projects, highly skilled and low cost workforce etc. The major threats for the industry is higher cost of inputs and lower realizations which may put pressure on the profitability and operating margins of the international as well as domestic steel companies. In addition to this, major obstacles are current economic turmoil, technological change, inadequate availability of suitable quality of raw material, increasing prices of raw materials, high cost of energy / capital etc.
- c) **Segment-wise performance:** The Company is mainly in the business of manufacturing Steel and Capital Equipments and Turnkey Projects. The Company has no activity outside India except export of steel products manufactured in India. Segment wise performance is given at Note No. 25 of Schedule P i.e. Notes on Accounts.
- d) **Outlook:** The outlook for the industry looks reasonable, since India has good iron ore deposits, skilled manpower and growing demand for steel. The Indian steel industry has made a rapid progress on strong fundamentals over the recent few years. The industry is getting all essential ingredients required for dynamic growth. The government is backing the industry through favorable industrial reforms, while the private sector is supporting it with investments worth billions of Rupees. Even in the tough times of economic slowdown, the industry succeeded to sustain its positive growth momentum on the strong fundamentals of domestic demand from construction, automobile and infrastructure sectors. With an impressive track record, the country has become a reputed name in the world steel industry. Global steel giants from all over the world have shown interest in the industry because of its phenomenal performance. The Company continues to compete and participate in the tenders of various Public and Private Sector giants and is hopeful of bagging considerable fresh orders for engineering products.
- e) **Risk and concerns:** The domestic steel industry carrying inherent risk in respect of imbalance in supply / demand apart from price sensitivity and demand volatility. Slowdown in implementation of the Greenfield Steel projects by major steel producers due to non-availability of sufficient iron ore, coal and land, may increase the prevailing supply demand gap in coming years. Besides the above, the global market turmoil, which dented the growth curve of user industry, may affect the progress of the steel industry. The company has been taking continuous modernization programme to maintain efficient operation of its Steel and Engineering activities.
- f) **Internal control system:** The Company maintains periodical internal checks and conduct adequate internal audit, which provide safeguards and proper monitoring and vetting of transactions. ISO-9001:2000 certification has been obtained for execution of works at Murbad. Necessary quality control systems and procedures have been established. Periodical internal checks and audits are conducted by the Management and Internal Auditors. Upgradation wherever necessary are carried out at frequent intervals.
- 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' & 'Operations and Overall Performance' in the current year.
- h) **Human resources and industrial relations:** During the year under review the Employee/Industrial relations at all units and job sites remained cordial. Training programmes are conducted internally for staff and workmen. Training is imparted for updating of manufacturing techniques/processes. Personnel are sponsored for external programmes on need based.. Number of employees as on 31st March, 2010 was **1438**.
- 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.

RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No. 3(L-7) BC/2001 dated 11th July 2001. The Hon'ble BIFR vide its order dated 1st March, 2006, after hearing the matter has declared the Company as a sick industrial company in terms of section 3 (1) (o) of SICA and appointed ICICI Bank Ltd. as the Operating Agency to prepare a Draft Rehabilitation

Scheme (DRS). The Company has submitted a Draft Rehabilitation Scheme (DRS) to the ICICI Bank Ltd., OA with a copy of the same to the BIFR.

As per the direction of Hon'ble BIFR, OA convened a joint meeting of three Secured Creditors, not supporting CDR, on 1st August, 2008. In accordance with the decision taken thereat, the company has approached the three secured creditors and was successful in approving the OTS with two of the creditors and in discussion for revision/ reschedulement with remaining one creditor. The developments in this regard are being informed to Operating Agency.

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, endeavored their best to service the Investors satisfactorily. Your company has constituted a committee comprising of 3 Senior directors of the Company to redress the Investor grievances.

DIRECTORS

During the year, Shri K.A.Krishnarao, Director of your Company, retire by rotation and being eligible, offer himself for reappointment.

Mr. Satish Kumar Gupta was appointed as Nominee Director of ARCIL with effect from 24th May, 2010.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of annual accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
3. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. Final accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

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

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

ENVIRONMENT & SOCIAL OBLIGATION

The Company's plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution.

The Company is continuously endeavoring to improve the quality of life in the communities surrounding its industrial complex.

PUBLIC DEPOSITS

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

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 (b), 10 & 11 in the Annexure 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 : 24th May, 2010
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

Engineering Products

Form "A" is not applicable as its activities does not fall under the list of industries specified in the Schedule attached to Rule 2.

Steel Products

- 1) Incandescent Lamps (GSL lamps) of all panels have been replaced by LED lamps.
- 2) 3 heatless type air driers have been replaced by refrigerant type air driers.
- 3) 5 inefficient pumps have been replaced by higher efficiency pumps.
- 4) 500 Cu.Mtr. / day water saving by re-utilising filter backwash water.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Research & Development (R & D)

Steel Division

1. Specified areas in which R & D carried out by the Company :

- a) Developed Lower thickness CORTEN Sheets and thicker plate boiler quality for special applications.
- b) Developed alloys steels for Defence and metro coach applications.

2. Benefits derived as a result of R & D

- a) Production of value-added steels has improved the contribution.

3. Future plan of action for R & D

- a) Developing new grades of steel such as API, CTJ55 for exports.

4. Expenditure on R & D

Expenses on R & D Rs. 9.52 Lacs

1) Technology Absorption, Adaptation and Innovation:

- a) New fume extraction system has been installed for effective pollution control.
- b) Waste products such as slag, ash, etc. are getting converted into useful products such as bricks.

2) Benefits.

- a) High quality steels can be manufactured to improve the contribution.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

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

(Rs in Lacs)

| | 2009-2010 | 2008-2009 |
|---|-----------|-----------|
| (a) Earnings | | |
| Brokerage and Commission | 22.30 | 58.57 |
| Exports including Deemed and Third Party | 424.39 | 18279.34 |
| (b) Outgo | | |
| Traveling /Books Periodicals | 78.34 | 83.15 |
| Imported Raw Materials, Stores & Spares, etc. | 29322.71 | 38725.79 |
| Brokerage & Commission | 22.61 | 159.57 |
| Repairs & Maintenance | 9.47 | 14.86 |
| Engineering & Design | 270.95 | 13.43 |
| Others | 45.24 | 30.59 |

FORM - A

Form for Disclosure of Particulars with respect to Conservation of Energy:

| A. Power & Fuel Consumption | UNIT | 2009-2010 | 2008-09 |
|---------------------------------------|---------|----------------|----------------|
| 1 Electricity | | | |
| a) Purchased | | | |
| Units | Kwh | 494343936 | 461365051 |
| Total Amount | Rs. | 2,20,77,59,864 | 1,94,55,65,998 |
| Rate/Unit | Rs/kwh | 4.47 | 4.22 |
| b) Own Generation | | | |
| i) Through Diesel Generator | | | |
| Units | Kwh | 21196 | 3520 |
| Units per ltr. of Diesel Oil | Kwh/ltr | 1.66 | 1.68 |
| Cost/Unit | Rs/kwh | 21.37 | 21.86 |
| ii) Through Steam Turbine / Generator | | NIL | NIL |
| 2 Coal | | NIL | NIL |
| 3 Fuel Oil | | | |
| a) Furnace Oil | | | |
| Quantity | Kl | 26694 | 24093 |
| Total Amount | Rs. | 59,53,80,255 | 57,45,30,75 |
| Average Rate | Rs/Kl | 22304 | 123846 |
| b) LDO | | | |
| Quantity | Kl | 1111 | 972 |
| Total Amount | Rs. | 2,94,50,899 | 3,02,37,498 |
| Average Rate | Rs/Kl | 26515 | 31120 |
| 4 Others/Internal Generation | | NIL | NIL |
| B. Consumption per unit of production | | | |
| 1 HR PRODUCTS | | | |
| - Electricity | kwh/mt | 901 | 935 |
| - Furnace Oil | ltr/mt | 53 | 53 |
| - LDO | ltr/mt | 1.02 | 1.15 |
| 2 GP/GC PRODUCTS | | | |
| - Electricity | kwh/mt | 1217 | 1229 |
| - Furnace Oil | ltr/mt | 56 | 55 |
| - LDO | ltr/mt | 8.9 | 8 |
| 3 CR PRODUCTS | | | |
| - Electricity | kwh/mt | 1149 | 1163 |
| - Furnace Oil | ltr/mt | 56 | 56 |
| - LDO | ltr/mt | 9 | 8 |

For and on behalf of the Board

Dated: 24th May, 2010

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 31ST MARCH, 2010

| Sr. No. | Name | Designation | Remuneration (Rs in lacs) | Qualification | Age (years) | Experience (years) | Date of joining | Previous Employment |
|---------|-----------------|-------------------|---------------------------|---------------|-------------|--------------------|-----------------|---------------------|
| 1 | Rajesh R. Gupta | Managing Director | 25.44 | B.Com. | 45 | 24 | 01.01.1990 | 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 related to Chairman 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 : 24th May, 2010
Place : Mumbai

Mukesh R. Gupta
Chairman

CORPORATE GOVERNANCE

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of **Lloyds Steel Industries Limited**

We have examined the compliance of the conditions of Corporate Governance by **Lloyds Steel Industries Limited**, for the year ended 31st March, 2010, 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
TODARWAL & TODARWAL
Chartered Accountants

Sunil Todarwal
Partner
M.No. 32512

Dated : 24th May, 2010
Place : Mumbai

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 stakeholders.

2. BOARD OF DIRECTORS

The Board of Directors of the Company has a combination of executive, non-executive and independent Directors.

The Board of Directors of the Company is comprised of :

| | |
|------------------------------------|---|
| Promoter Directors | 3 |
| Non-executive – Nominee Directors | |
| Representing IDBI, & IFCI & ARCIL | 3 |
| Non-executive Independent Director | 1 |

Attendance of each Director at the Board meetings and the last AGM is 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 committees where he is a Chairman (C)/Member (M) |
|----------------------|---------------------------|----------------------|--------------------------|-------------------|--|---|
| Mr. Mukesh R. Gupta | Promoter Non-Executive | 6 | 6 | Yes | 2 | 1(C)/ 1(M) |
| Mr. Rajesh R. Gupta | Promoter Executive | 6 | 6 | Yes | 3 | 1(C)/2(M) |
| Mr. B. L. Agarwal | Promoter Non-Executive | 6 | 6 | Yes | 3 | 2(M) |
| Mr. B. Ravindranath | Independent IDBI Nominee | 6 | 3 | No | 2 | NIL |
| Mr. R. Parthasarathy | Independent IFCI Nominee | 6 | 6 | No | 1 | 2(M) |
| Mr. K.A. Krishna Rao | Independent Non-Executive | 6 | 5 | Yes | NIL | NIL |
| # Mr. S. K. Gupta | Independent ARCIL Nominee | - | - | - | 2 | NIL |

Appointed as ARCIL Nominee Director w.e.f 24th May, 2010

During the financial year 2009-2010, Six (6) Board Meetings were held on 29th May, 2009, 31st July 2009, 30th October 2009, 30th November, 2009, 31st December, 2009 and 25th January, 2010 respectively.

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 31st March, 2010. 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.

3. AUDIT COMMITTEE:

a) 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.