



UTTAM

43rd
43rd

Annual Report

2012 - 2013

UTTAM VALUE STEELS LIMITED



BOARD OF DIRECTORS	RAJINDER MIGLANI : CHAIRMAN S K SONI : DIRECTOR B L KHANNA : DIRECTOR U N CHALLU : DIRECTOR MANASH CHAKRABORTY : DIRECTOR (NOMINEE - ARCIL) R K BANSAL : DIRECTOR (NOMINEE - IDBI) ANKIT MIGLANI : DIRECTOR RAJIV MUNJAL : DIRECTOR (COMMERCIAL) ASHOK TANDON : DIRECTOR (ENGG.DIVISION)
GROUP CFO	GURSHARAN S SAWHNEY
COMPANY SECRETARY	RAM GAUD
BANKERS	STATE BANK OF INDIA
STATUTORY AUDITORS	TODARWAL & TODARWAL CHARTERED ACCOUNTANTS MUMBAI
INTERNAL AUDITORS	ERNST & YOUNG LLP CHARTERED ACCOUNTANTS MUMBAI
REGISTERED OFFICE	4 TH FLOOR, UTTAM HOUSE, 69, P. D'MELLO ROAD, MUMBAI : 400 009 E-MAIL : investor@uttamvalue.com WEBSITE: www.uttamvalue.com
OTHER OFFICES / BRANCHES	<ul style="list-style-type: none">• DELHI• BANGALORE• HYDERABAD• CHENNAI• KOLKATTA• COCHIN• AHMEDABAD• INDORE• PUNE• NAGPUR• INDORE• JAIPUR
WORKS	STEEL PLANT UTTAM 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 **43rd ANNUAL GENERAL MEETING** of the Members of the Company will be held at 11:00 a.m. on Monday, the 26th day of August, 2013 at M C Ghia Hall, 18/20, K. Dubhash Marg, Mumbai – 400 001 to transact the following business :

ORDINARY BUSINESS:

1. To consider and adopt the Statement of Profit & Loss for the Financial Year ended 31st March, 2013 and the Balance Sheet as at that date and Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri B L Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri U N Challu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Todarwal & Todarwal, Chartered Accountants, (Registration No. 111009W) as the Statutory Auditor for the Financial Year 2013-14 and to hold office from the conclusion of this Annual General Meeting till the conclusion of the 44th Annual General Meeting and to authorize the Board of Directors to decide their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Shri Rajinder Miglani, who was appointed by the Board of Directors as an Additional Director with effect from 28th December, 2012 under the provisions of Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

“RESOLVED THAT Shri Ankit Miglani, who was appointed by the Board of Directors as an Additional Director with effect from 28th December, 2012 under the provisions of the Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

7. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT Shri Rajiv Munjal, who was appointed by the Board of Directors as an Additional Director with effect from 28th December, 2012 under the provisions of Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT Shri S K Soni, who was appointed by the Board of Directors as an Additional Director with effect from 25th May, 2013 under the provisions of Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

9. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special resolution** :

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) (**“Companies Act”**), pursuant to the Articles 24.3 of the existing Articles of Association of the Company and such other statutory approvals (including the approval of the Central Government) as may be required to be obtained in this respect, and pursuant to recommendation of Remuneration Committee and the approval of Board of Directors at their respective Meeting dated on 28th December, 2012 and 25th May, 2013, the approval of the Members be and is hereby accorded to the appointment of Shri Rajiv Munjal, as Whole Time Director designated as Director (Commercial) of the Company w.e.f. 1st April, 2013 for a period of three years from the date of appointment, on the terms and conditions as stated as below:

- a) Remuneration :
Rs. 3,00,000 per month by way of salary.
- b) Perquisites and Allowances:
 - (i) Contribution to Provident Fund and Superannuation Fund, as per rules of the Company.
 - (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - (iii) Leave and Encashment of leave as per the rules of the Company.
 - (iv) Free use of Car with driver for the business of the Company and telephone facility at residence.
 - (v) Such other benefits and amenities as may be provided by the Company to other senior from time to time.
- c) The Company shall pay to or reimburse to Director (Commercial) all costs, charges and expenses that may have been or may be incurred by him for the purpose of or on behalf of the Company.
- d) In the event of the loss or inadequacy of profit, in any financial year during tenure of

Shri Rajiv Munjal as a Director (Commercial) the aforesaid remuneration will be treated as minimum remuneration subject to the approval of the Central Government, if any, as may be required.

The scope and quantum of remuneration specified hereinabove, may be subject to such guidelines as may be announced by the Central Government from time to time and will be subject to such modifications as the Central Government may suggest or require.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to vary, alter or modify the above-stated remuneration in accordance with provision of Scheduled XIII to the Companies Act, 1956 as may be agreed to by the Board of Directors and Shri Rajiv Munjal.

RESOLVED FURTHER THAT Shri Ram Gaud, Company Secretary of the Company be and is hereby authorized to file necessary forms and returns with the Central Government, Registrar of Companies or any other authorities and to do all such acts, deeds, matters and things as may be necessary to give effect to this Resolution.”

**By Order of the Board
For Uttam Value Steels Limited**

**Ram Gaud
Company Secretary**

Registered Office:
4th Floor, Uttam House,
69, P. D'mello Road,
Mumbai – 400009

Date: 25th May, 2013

NOTES:

- I. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.



2. Register of Members and Share Transfer Books of the Company shall remain closed from 20th August, 2013 to 26th August, 2013 (both days inclusive).
3. Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their queries to the Company Secretary at the Registered Office of the Company, so as to reach him at least seven days before the date of Meeting.
4. Members/Proxies attending the Meeting are requested to bring their Attendance Slip, sent herewith, duly filled in and also their copies of the Annual Report.
5. The Company's shares are listed on BSE Limited and National Stock Exchange of India Limited, Mumbai and applicable listing Fees have been paid upto date including Financial Year 2013-14.
6. The transfer of Unclaimed Dividend to Investor Education & Protection Fund of the Central Government as required in terms of Section 205C of the Companies Act, 1956, during the current Financial Year is not applicable.
7. Details of the Directors Appointed / Re-appointed during the Year is provided herewith as a part of the Corporate Governance Report as required by Clause 49 of the Listing Agreement.
8. 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., (Uttam Value Steels Limited) at E-2/3 Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072.
Email address of the company is - **investor@uttamvalue.com**
9. All queries relating to Share Transfer and allied subjects should be addressed to:
Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East), Mumbai - 400072
Phone: 022 - 40430200
Email Id: investor@bigshareonline.com

EXPLANATORY STATEMENT

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

Item No. 5

Shri Rajinder Miglani has joined the Board with effect from 28th December, 2012 as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956, he holds the office up to the date of 43rd Annual General Meeting.

He is an industrialist and is a graduate and has more than 47 years of experience in the steel industry.

None of the Directors except Shri Rajinder Miglani and Shri Ankit Miglani in any way concerned or interested in this Resolution.

The Board accordingly recommends the Resolution set out in Item No. 5 for the approval of the Members.

Item No. 6

Shri Ankit Miglani has joined the Board with effect from 28th December, 2012 as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956, he holds the office up to the date of 43rd Annual General Meeting.

He is an industrialist and a Graduate in Economics with specialization in Finance from Wharton School, University of Pennsylvania, Philadelphia, U.S.A and has more than 12 years of experience in the steel industry.

None of the Directors except Shri Ankit Miglani and Shri Rajinder Miglani are in any way concerned or interested in this Resolution.

The Board accordingly recommends the resolution set out in Item No. 6 for the approval of the Members.

Item No. 7

Shri Rajiv Munjal has joined the Board with effect from 28th December, 2012 as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956, he holds the office up to the date of 43rd Annual General Meeting.

He is a graduate engineer having done his BE in Electronics and Telecommunication in 1981. He has more than 25 years of experience in the industry.

None of the Directors except Shri Rajiv Munjal is in any way concerned or interested in this Resolution.

The Board accordingly recommends the Resolution set out in Item No. 7 for the approval of the Members.

Item No. 8

Shri S K Soni has joined the Board with effect from 25th May, 2013 as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956. He holds the office up to the date of 43rd Annual General Meeting.

He is a B.Sc L.L.B., CAIIB (I). He has more than 55 years of experience in the Banking Sector.

None of the Directors except Shri S K Soni is in any way concerned or interested in this Resolution.

The Board accordingly recommends the Resolution set out in Item No. 8 for the approval of the Members.

Item No. 9

Shri Rajiv Munjal is BE in Electronics and Telecommunication and having more than 25 years of experience in industry.

Pursuant to recommendation of Remuneration Committee, Shri Rajiv Munjal was appointed as Manager by the Board of Directors for a period from 28th December, 2012 to 31st March, 2013 under Section 269, 198 and 309 read with Scheduled XIII and other applicable provisions of the Companies Act, if any, without any remuneration.

He was also appointed as an Additional Director with effect from 28th December, 2012 in accordance with the provision of Section 260 of the Companies Act, 1956 and therefore holds the office upto the date of this 43rd Annual General Meeting. Subsequently he was also appointed by the Board of Directors at their meeting held on 25th May 2013 as Whole-Time Director, designated as Director (Commercial) of the Company w.e.f. 1st April, 2013 for a period of three years pursuant to recommendation of the Remuneration Committee thereof.

In view of Shri Rajiv Munjal's vast work experience in the Industry, his appointment as the Director (Commercial) for the period of three years, commencing from 1st April, 2013 is proposed on terms and conditions as set out in the Special Resolution at Item No.9.

The terms and condition of the appointment of Shri Rajiv Munjal as set out in the Special Resolution at Item No. 9 should also be treated as the abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Shri Rajiv Munjal is in any way concerned or interested in this Resolution.

The Board accordingly recommends the Resolution set out in Item No. 9 for the approval of the Members.

I. GENERAL INFORMATION:

1. Nature of Industry - Manufacturing of Steel and Capital Equipment products
2. Date of commencement of Commercial Production - The company has commenced its production activities since 1974.
4. In case of new Companies, expected date of Commencement of activities as per project approved by financial institutions appearing in the prospectus. - N.A.

5. Financial performance based on given indicators :

(Rs.In Lacs)

Particulars	2010-11	2011-12	2012-13
Total Income	439945.19	409650.11	674760.00
Profit Before Tax	(13978.72)	(7345.46)	101.77
Profit after tax	(13978.72)	(7345.46)	101.77

6. Export performance and net foreign exchange collaborations : (Rs.In Lacs)

Particulars	2010-11	2011-2012	2012-2013
FOB value of Export	2150.57	1645.01	2584.77

7. Foreign Investments or collaborations, if any - NIL

II. INFORMATION ABOUT THE APPOINTEE : SHRI RAJIV MUNJAL

1. Background Details:

He is a graduate engineer having done his B E in Electronic and Telecommunication. He is aged about 53 years and having 25 years of experience in Industry.

2. Past Remuneration:

Last remuneration drawn by Shri Rajiv Munjal was ₹ 240967 per month.

3. Recognition or Awards - Nil

4. Job Profile and it's suitability:

He was appointed as an Additional Director on 28.12.2012, who will be subsequently regularized as Director of the Company by the members at their upcoming Annual General Meeting to be held on 26th August, 2013 subsequently he



has been appointed as Whole Time Director designated as Director (Commercial) w.e.f 1st April, 2013 for a period of three Years will be responsible for overall operations of Steel Division of the Company.

5. Remuneration proposed:

a) Remuneration :

Rs.3,00,000/- (Rupees Three Lakhs only) per month by way of salary.

b) Perquisites and Allowances :

(i) Contribution to Provident Fund and Superannuation Fund, as per rules of the Company.

(ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

(iii) Leave and Encashment of leave as per the rules of the Company.

(iv) Free use of Car with driver for the business of the Company and telephone facility at residence.

(v) Such other benefits and amenities as may be provided by the Company to other senior from time to time.

c) The Company shall pay to or reimburse to Director (Commercial) all costs, charges and expenses that may have been or may be incurred by him for the purpose of or on behalf of the Company.

d) In the event of the loss or inadequacy of profit, in any financial year during his tenure as Director (Commercial), the aforesaid remuneration will be treated as minimum remuneration subject to the approval of the Central Government, if any, as may be required.

6. Comparative remuneration:

The remuneration proposed is reasonable as profile with respect to compared to size of the company, profile industry, size of the company, and position of the person as well as with respect profile and position of person to the industry.

7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial person, if any. - N.A.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits

- Increase in the cost of production
- Shortage of Working Capital
- High Finance Cost
- Stagnancy in the Steel prices

2. Steps taken or proposed to be taken for improvement.

- Restructuring of debts with the Financial Institutions and Banks
- Technical Modifications and Technological Changes leading to increase in productivity & operational efficiency.
- Repayments of high interest debts in a phased manner
- Efforts to improve and avail the working capital facilities of the Company from various Banks.

**By Order of the Board
For Uttam Value Steels Limited**

**Ram Gaud
Company Secretary**

Registered Office:
4th Floor, Uttam House,
69, P. D'mello Road,
Mumbai – 400 009.

Date: 25th May, 2013

DIRECTORS' REPORT

Your Directors present the 43rd Annual Report on the operations of your Company along with Audited Statement of Accounts for the year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

(₹ in Lacs)

	2012-13 (12 Months)	2011-12 (9 months)
Sales :	668556.72	405303.18
Other Income	6203.28	4346.93
Total Income :	674760.00	409650.11
Profit/(Loss) before Interest, Depreciation, Exceptional Items & Tax	31178.32	15476.72
Less : Finance Charges	16575.50	10849.94
Depreciation	14501.05	10649.84
Profit / (Loss) before exceptional items & taxes	101.77	(6023.06)
Less : Exceptional items (Net)	-	1322.40
Profit/(Loss) before tax	101.77	(7345.46)
Tax Provision	-	-
Profit/(Loss) after Tax	101.77	(7345.46)
Net Profit/ (Loss)	101.77	(7345.46)

FINANCIAL YEAR

The current year is of twelve months. Financial accounts for the previous period was prepared for nine months i.e. from 1st July, 2011 to 31st March, 2012 hence they are not comparable.

DIVIDEND

In view of the accumulated losses, the Board of Directors do not recommend any dividend on the Equity shares.

STEEL INDUSTRY SCENARIO

2012 -13 was a challenging year for the steel industry with apparent steel use increasing at the slowest rate since 2009 when global demand declined by 6.5%. This was mainly due to the Eurozone crisis which persisted throughout 2012 and whose impact was felt further. On top of this, corrective macroeconomic measures in major emerging economies also contributed to a concerted slowdown globally. However, in the early part of 2013, the key risks to the global economy – the Eurozone crisis, a hard landing for the Chinese economy, and the US fiscal cliff issue – have all stabilized considerably and we now expect a recovery in global steel demand to kick in by the second half, led by the emerging economies. Yet, the situation on the financial markets remains fragile and the Eurozone crisis is far from being solved as the recent events in Cyprus have again shown.

Apparent steel use in China is expected to grow by 3.5% in 2013 to 668.8 Mt following a 1.9% increase in 2012. In 2014, steel demand is expected to grow by 2.5% as the Chinese government's measures to control investment in an effort to rebalance the economy will remain in place.

In India, steel demand is also expected to pick up and will grow by 5.9% to 75.8 Mt in 2013 following 2.5 % growth in 2012 as monetary easing is expected to support investment activities. In 2014, growth in steel demand is expected to further accelerate to 7% thanks to the reform measures aimed at narrowing the fiscal deficit, coupled with measures to improve the foreign direct investment climate.

OPERATIONS & OVERALL PERFORMANCE

The Company achieved a Gross Turnover of ₹ **6685.56 crores** in 2012-13 as against ₹ **4053.03 crores** in the previous period (9 months), showing a growth of 23 % over previous year. The operating EBITDA for the year was ₹ **311.78 crores** as against ₹ **154.77 crores** in the previous period (9 months). The Company posted a profit of ₹ **1.01 crores** during the year as against a loss of ₹ 73.45 crores in the previous period (9 months) after providing depreciation of ₹ 145.01 crores (Previous period ₹ 106.50 crores).

STEEL PRODUCTS

Sale of steel products during the year 2012-13 was ₹ **3033.31 crores** as against the previous period (9 months) of ₹ 2239.69 crores. Export sales achieved during the year ₹ **23.07 crores** as against ₹ 10.77 crores recorded during the previous period of 9 months.

ENGINEERING PRODUCTS

Engineering Division achieved sales of ₹ 470.07 crores during 2012 -13 as compared to sales of ₹ 286.24 crores for 9 months in the previous period. During the year the division has executed various orders / jobs by supplying critical equipment and items including various types of Tanks and Vessels, Water Cooled Equipment to SMS India Ltd, Instrument Air Drier Unit to BOC India Ltd for MRPL PP Project , Pressure Vessels to Technimon SpA for OPAL Butene Project , Pressure Vessels - Passivation Drum & Pump out Drum and Hexane Dryer Package to Technip France for OPAL Butene Project, Marine Unloading Arms to HPCL, Supply of Cooling Bed-Fixed Structure to Danieli India Ltd, Buffer Vessels to SAIL, Pressure Vessels to HPCL, equipment for WHR Boiler to Petron Engineering Construction Ltd for IOCL, Paradip and Equipment to Uttam Galva Metallics Ltd, Uttam Galva Steels Ltd,



Gopani Iron & Power Ltd. and Tapadia Polysters Pvt. Ltd. and supply of critical Spares and Services to all the major public and private Oil and Gas sector, Port Trust and various Government bodies.

PREFERENTIAL ISSUE OF EQUITY SHARES

In terms of the special resolution passed at the Extraordinary General Meeting of the members of the Company held on 14th July 2012, the Company was authorized to issue 7,00,00,000 Equity Shares to Metallurgical Engineering and Equipments Limited and 31,00,00,000 Equity Shares to Ultimate Logistics Solutions Private Limited on preferential basis, at a price of ₹ 10 per equity share, higher than the price calculated in accordance with Preferential Issue Guidelines contained in SEBI (ICDR) Regulations, 2009. Accordingly, the Committee of Board of Directors at its meeting held on 6th Dec, 2012 has issued 38,00,00,000 equity shares at a price of ₹ 10 each.

In terms of Regulations 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Ultimate logistics Solutions Private Limited and Metallurgical Engineering Equipments Limited had made an open offer to the equity shareholders of the Company which opened on October 23, 2012 and closed on November 7, 2012.

UTILIZATION OF PROCEEDS FROM PREFERENTIAL ISSUE

Proceeds from Preferential issue of equity shares of ₹ 38,000 lacs have been utilised to fund the working capital needs and for general corporate purposes of the company.

CONVERSION OF PREFERENCE SHARES OF IDBI BANK LIMITED

In terms of the special resolution passed at the Extra-ordinary General Meeting of the members of the Company held on 4th March, 2013 the Company was authorized to convert 22,69,50,000 Redeemable Preference Shares of ₹ 10 each into 15,00,00,000 Equity shares of ₹ 10 each fully paid up by way of preferential Issue at a price of ₹ 15.13 per equity share.

Accordingly Committee of Directors of the Company at its meeting held on 19th March, 2013 has allotted 15,00,00,000 equity shares to IDBI Bank Limited.

DEBT RESTRUCTURING

All the debts of the Company are crystalized and settled. Over the years, the Company has paid a large amount towards past debt liabilities and remaining debts are being

paid in accordance with the restructured terms. The Company has paid off ₹ 134.12 crores during the period under review towards past Debt liabilities.

CHANGE OF NAME OF THE COMPANY

Pursuant to the consent received from the shareholders of the Company in the Extraordinary General Meeting held on 4th March, 2013 and Fresh Certificate of Incorporation received from Registrar of Companies, Maharashtra, Mumbai, the name of the Company has been changed from LLOYDS STEEL INDUSTRIES LIMITED to UTTAM VALUE STEELS LIMITED with effect from 18th March, 2013.

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 Discussion and Analysis is given hereunder.

Steel Division

The crude steel production has grown from 1490 million tonnes in 2011 to 1510 million tonnes in 2012, a growth of 1.3%. China continued to be the largest Crude Steel producer in the world and their production increased from 683 million tonnes in 2011 to 708 million tonnes in 2012, a growth of 3.7%.

- a) **Industry Structure & Development:** Indian Steel Industry has grown from the production of 72 million tonnes in 2011 to 76 million tonnes in 2012, a growth of 5.5%.

The Indian Steel Industry plays an important role in the country's economic growth. The growth of the Indian Steel Industry looks positive. However, it is impeded to some extent due to higher money lending rates resulting in to high cost of capital, impacting margins as well as capital expenditure plans.

A wide range of products are manufactured by Engineering Industries in India the developments of which is dependent upon the development of core and the infrastructure sector.

- b) **Opportunity & Threats:** The Indian steel industry is the fourth largest crude steel producer in the world for the last two years i.e. 2011 & 2012. It is poised for greater growth in the future as the consumption of steel increases in India.

Opportunities

- Strong growth in heavy industry e.g. infrastructure, oil & gas.

- The strong growth expected in Power Sector, additional generation capacity of 100,000 megawatts proposed to be added in the 12th Five Year Plan (2012 – 2017).
- Fourth largest iron ore reserves after Russia, Brazil & Australia.
- Increased investment by State Governments in water & sewerage pipes.
- Increasing popularity of Pre-Engineered Buildings (PEB) in industry and construction.
- The 3rd largest pool of technical manpower next to USA & CIS.
- Increasing production in auto segment fuelling increase of steel consumption.
- Growing over all domestic demand, under explored rural market and rapid urbanization.

Threats

- Global economic slow down
- Technological change / obsolescence
- Substitute – steel being replaced by aluminum in auto industry and by PVC in pipe industry.
- Increasing power tariff.
- China remaining a net exporter.
- Protection in West.
- Dumping by producers from some of the countries.
- Higher duties and taxes
- Fluctuating market demand

c) **Segment wise / Product 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 32 of Notes to Accounts.

d) **Outlook:** The outlook in the domestic steel industry looks positive. The country has acquired an important position in global steel map. The Indian Steel Industry is having Giant Steel Mills, modernization and up gradation of old steel mills improving energy efficiency and backward integration to global raw material resources.

The steel consumption in the country grew from 71 million tonnes in 2011-12 to 73.3 million tonnes in 2012-13 a growth of 3.2%. In the coming years the consumption is expected to grow at higher rates.

However, challenges before Indian Steel Industries are also there and need serious attention. Rising prices of key raw material like iron ore & coking coal, fall in demand from automobile have posed certain threats. Despite this, the future of Indian steel industry looks bright as per capita consumption is poised to grow substantially from the current level of 60 Kg. Further, India has abundant mineral resources like Iron Ore and non-coking coal. With acquisition of coking coal mines by Indian companies in countries like South Africa & Australia, India is poised to grow further from being the fourth largest steel producer currently in the world.

The Company supplies Hot Rolled Special steels to the following Sectors

- Defence
- Indian Railways
- IBR Approved Applications
- Oil & Gas Sector
- Automobiles
- Infrastructure Projects
- Transmission Tower Sector
- Pre Engineered Building Sector
- LPG Cylinder manufacturers
- Agro based Industries
- General Engineering Sector

e) **Risk & Concerns:** The domestic steel industries run the risk of normal industry cycle as under:

- High cost of capital
- High cost of basic input and services
- Delay in absorption in technology by existing units.
- High logistics cost
- Poor quality of basic infrastructure like road, port etc.
- Lack of expenditure in R&D
- Unremunerative prices
- Non availability of adequate coking coal
- Inadequate access to good quality of iron & ore.
- High cost of energy

The Company is exposed to the normal industry risk factors and manages these risks by prudent business and risk management practices. The Company has taken up modernization programmes and the capital