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22nd
ANNUAL
REPORT
2004-05

**PRADEEP METALS LIMITED**

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# **PRADEEP METALS LIMITED**

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## **BOARD OF DIRECTORS**

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**Pradeep Goyal**

Chairman & Managing Director

**R.D. Shroff**

**O.P. Agarwal**

**R.K. Agarwal**

**Dinesh Parekh**

**Dr. V. Gopinathan**

**Suresh Vaidya**

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## **BANKERS**

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Union Bank of India.

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## **AUDITORS**

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**S.R.Rege & Co.**

Chartered Accountants

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## **REGISTERED OFFICE & WORKS**

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R-205, TTC Indl. Area, MIDC  
Rabale, Navi Mumbai 400 701  
Maharashtra

**22nd ANNUAL REPORT 2005****NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF **PRADEEP METALS LIMITED** will be held at the Registered Office at R-205, TTC Industrial Area, MIDC, Rabale, Navi Mumbai 400 701 on Friday, 16<sup>th</sup> September, 2005, at 4 p.m. to transact the following business:

**Ordinary Business:**

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2005 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Rakesh Kumar Agarwal who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration:

To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in terms of Section 224A of the Companies Act, 1956 M/s. S.R. Rege & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the 22<sup>nd</sup> Annual General Meeting until the conclusion of the 23<sup>rd</sup> Annual General Meeting of the Company on a remuneration as may be fixed by the Board of Directors after taking into consideration volume of the work involved."

**Special Business :**

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Dr. V. Gopinathan, who was appointed as an Additional Director on 24<sup>th</sup> June, 2005 in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company and holds the office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri Suresh G. Vaidya, who was appointed as an Additional Director on 24<sup>th</sup> June, 2005 in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company and holds the office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

**By Order of the Board  
For PRADEEP METALS LTD**

**PRADEEP GOYAL  
CHAIRMAN & MANAGING DIRECTOR**

Mumbai  
June 24, 2005

## **PRADEEP METALS LIMITED**



### **NOTES:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (b) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under items 3, 4 & 5 as set out above is annexed hereto.
- (c) Members are requested to intimate any change in their address to the Company immediately.
- (d) Members who hold shares in identical order of names in more than one Folio are requested to write to the Company to enable consolidation of their holdings in one Folio.
- (e) Members are requested to intimate to the Company, details, if any, required in relation to this Annual Report atleast 7 (seven) days before the meeting to enable the Management to keep the information ready at the meeting.
- (f) All documents referred to in the accompanying Notice and Explanatory Statement, 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 except on Sundays and other holidays.
- (g) Members/Proxies are requested to bring their copies of the Annual Report to the meeting.
- (h) Registrar and Transfer Agents of the Company are Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup West, Mumbai 400 078.
- (i) The Company's Equity Shares are the scripts which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors.

**22nd ANNUAL REPORT 2005****EXPLANATORY STATEMENT**

**Explanatory Statement Under Section 173(2) of the Companies Act, 1956 forming part of the Notice dated June 24, 2005**

**Item No. 3**

Section 224 of the Companies Act, 1956 provides that in the case of a company in which not less than 25% of the subscribed share capital is held either singly or jointly by Public Financial institutions, Government companies, etc; the appointment or re-appointment of an auditor of that company has to be made by a Special Resolution.

In the case of the Company, the current shareholding of the aforesaid bodies is more than 25% of the subscribed share capital and hence Special Resolution is required for the appointment of Company's auditors.

The Board of Directors recommends the acceptance of the resolution. None of the Directors of the Company is concerned or interested in the resolution.

**Item No. 4**

Dr. V. Gopinathan was appointed as an additional Director of the Company on 24<sup>th</sup> June, 2005 by the Board of Directors.

Dr. Gopinathan is a B.E. (Mech) engineer with first Rank from Madras University and did his Master of Engineering in Foundry Science and Technology where he received all-India first Rank. Subsequently, he worked as a Lecturer in I.I.T. Chennai, from where he was sponsored to Germany, where he did his doctorate in metal forming. He is the first Indian to get a cash reward for his outstanding performance in Germany. He has over 37 years of experience in establishing cold, hot and warm forging units. He has developed more than 300 automobile components as a substitute for imported products. He has to his credit more than 100 international and national publications. He has also written a book on "Theory of Plasticity" which is even used as a text book in USA. He brings to the Company rich technical knowledge and expertise.

It is in the interest of the Company to continue to have the benefit of his immense experience and valuable advice as a member of the Board.

The Company has received notice from a member of the Company under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director.

**Item No. 5**

Shri Suresh G. Vaidya was appointed as an additional Director of the Company on 24<sup>th</sup> June, 2005 by the Board of Directors.

Shri Vaidya is a technocrat with B.Text. degree from University of Mumbai and is a certified Management Consultant. He has wide experience in revival of sick units as well as managing profit making units. He has advised entrepreneurs in India and abroad, Banks and Financial Institutions, in India and abroad, Commonwealth Secretariat and governments. He was Chairman of the Maharashtra State Textile Corporation Ltd. He was a member of the Board of Directors/Governing Council/Managing committee of various reputed public limited companies covering wide spectrum of industries/activities such as manufacturers of cotton yarn, fabrics, and textile machinery, engineering companies, finance companies, merchant bank, scheduled bank, The Stock Exchange (BSE), etc. He brings with him over four decades of wide experience in India and overseas.

It is in the interest of the Company to continue to have the benefit of his immense experience and valuable advice as a member of the Board.

The Company has received notice from a member of the Company under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director.

**By Order of the Board  
For PRADEEP METALS LTD**

**PRADEEP GOYAL  
CHAIRMAN & MANAGING DIRECTOR**

Mumbai  
June 24, 2005.

**PRADEEP METALS LIMITED**

Item Nos. 2, 4 &amp; 5

Details of the Directors seeking appointment/re-appointment in Annual General Meeting to be held on 16<sup>th</sup> September, 2005

Name of the Director	Shri RakeshKumar Agarwal	Dr. V. Gopinathan	Shri Suresh G. Vaidya
Date of Birth	10-06-1963	06-05-1943	01-04-1939
Date of Appointment	31-10-2001	24-06-2005	24-06-2005
Expertise in Specific functional area	Expert on International trade and technical matters	Forging Technologist	Technical & General Management
Qualification	B.E. (Mech)	B.E. (Mech), M.Tech., Ph.D, F.I.E.	L.T.M., B.Text.
List of outside Directorships held	Shirdi Industries Ltd. Asis Overseas Ltd. Asis Global Ltd. Poona Pearls Biotek Ltd. Labh Capital Services Pvt. Ltd. Asis Industries Pvt. Ltd. Swanbay Technologies Pvt. Ltd. Repute Properties Pvt. Ltd. Emeca Finance & Investment Pvt. Ltd.	-	The Victoria Mills Ltd. Vaidya & Associates Textile Consultants Pvt. Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Member, Audit Committee Member, Shareholders'/Investors' Grievances Committee	Member, Shareholders'/ Investors' Grievances Committee	Member, Audit Committee
Chairman/Member of the Committee of Directors of other companies:- a) Audit Committee	Nil	Nil	Nil
b) Shareholders'/ Investors' Grievances Committee	Nil	Nil	Nil
c) Remuneration Committee	Nil	Nil	Nil
d) Share Transfer Committee	Nil	Nil	Nil

**22nd ANNUAL REPORT 2005****DIRECTORS' REPORT**

To,

The Shareholders

Your Directors are pleased to present the Twenty Second Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2005.

**FINANCIAL RESULTS :**

	2004-05	2003-04
	Rs. in lacs	
Profit before Interest, Depreciation, Exceptional Items and Tax	400.81	209.74
Less : Interest	<u>149.92</u>	<u>100.80</u>
Profit before Depreciation, Exceptional Items and Tax	250.89	108.94
Less: Depreciation	105.47	102.20
Preliminary expenses written off	0.21	2.56
Profit before Exceptional Items and Tax	145.21	4.18
Add: Exceptional Items	839.15	-
Profit before Tax	984.36	4.18
Less: Tax	-	-
Profit for the year	<u>984.36</u>	<u>4.18</u>

**DIVIDEND:**

In view of the past losses and resources required for future growth, your Directors do not recommend payment of any dividend.

**PERFORMANCE :**

The Company has achieved all round growth, attaining an all time high turnover of Rs. 3550.50 lacs during the year as compared to Rs. 1889.66 lacs in the previous year registering an increase of 88%. The operations have also yielded higher cash accruals of Rs. 251.00 lacs as compared to cash accruals of Rs. 137.51 lacs during the previous year (prior to loss on sale of assets). This impressive performance has been possible through concerted and focused efforts on cost reduction, better product mix, higher productivity and other related measures.

This year has been a turnaround year for the company and the net worth of the company has turned into positive based on the audited accounts as on 31<sup>st</sup> March 2005. Accordingly, the company shall approach the Hon'ble Board of Industrial and Financial Reconstruction (BIFR) to deregister itself from its purview.

**EXPORTS :**

During the year, exports of the Company were valued at Rs.1785.63 lacs as compared to Rs. 799.80 lacs in the previous year showing an increase of 123%. This has been achieved mainly due to higher value added products and larger volumes. Your company has devised strategies to enhance its exports in the coming years.

**QUALITY :**

Your company regards product quality as the epicenter of operational strategies and has initiated various steps to remain proactive in the area. As you are aware, your company has already been certified as ISO 9001-2000 and Pressure Equipment Directive 97/23/EC(PED). Your company believes in continuous engagement for constant improvement in quality of its products and carries out all possible measures to achieve the same.

Your Company has added few high end machines such as CNC Vertical Machining Centre for manufacturing Dies and Tools to achieve high level of precision finish and repeatability. The results of the above efforts could be seen in the current year performance and is expected to continue in the future as well.

**PRADEEP METALS LIMITED****DEPOSITS :**

The Company has not accepted any loans or deposits from the public in terms of Section 58A of the Companies Act, 1956 and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

**PARTICULARS OF EMPLOYEES :**

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**HUMAN RESOURCE DEVELOPMENT .**

The management is very conscious of Training and Development of the employees. Thrust was given for continuously updating technical/professional skills of employees and bringing about attitudinal changes in developing good work culture in all areas of operations, particularly on the shop floor.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, are set out in the Annexure A and form part of this Report.

**CORPORATE GOVERNANCE:**

In compliance with the recommendations of Securities Exchange Board of India on Corporate Governance Report and the Listing Agreement of the Stock Exchange, a separate report on Corporate Governance and Management Discussion and Analysis giving details of the Company's business and operating results is annexed as Annexure B.

**DIRECTORS :**

The Directors report with profound grief the sudden and untimely demise on 20<sup>th</sup> March 2005 of Shri K.S. Baidwan, Special Director appointed by the Hon'ble Board of Industrial and Financial Reconstruction (BIFR). He contributed significantly to the growth and improvement in the performance of the Company. The Directors place on record their deep appreciation of the valuable services rendered by Shri Baidwan during his association with the Company.

Shri Raj Kumar Mittal, Director of the Company, resigned from the Board for personal reasons and his resignation was accepted on 23<sup>rd</sup> April 2005. The Directors place on record their sincere appreciation of the services offered and the useful contributions made by Shri Mittal during his association with the Company.

In order to strengthen the Board of Directors, Dr. V. Gopinathan, a Forging Technologist and Shri Suresh G. Vaidya, a Technical and Management Expert, have been appointed on the Board as Additional Directors on 24<sup>th</sup> June, 2005 who will hold office till the ensuing Annual General Meeting. Notices proposing appointment of Dr. V. Gopinathan and Shri Suresh G. Vaidya as Directors have been received from the members of the Company in terms of Section 257 of the Companies Act, 1956.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Rakesh Kumar Agarwal, Director of the Company, retires by rotation and being eligible, has offered himself for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms:

- a. that in the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2005, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- b. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2005 and of the profit or loss of the Company for the year ended on that date;



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- c. that 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; and
- d. that the Directors have prepared the Annual Accounts on a going concern basis.

**AUDITORS :**

The observations made in the Auditors' Report are to be read with the Notes to Accounts, which are self-explanatory and no further comments are necessary under Section 217(3) of the Companies Act, 1956.

M/s. S. R. Rege & Co., Chartered Accountants, retire at the conclusion of the 22<sup>nd</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received a certificate from them to the effect that the re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. Since the financial institutions hold more than 25% of the total paid up capital of the Company, the re-appointment of M/s.S.R.Rege & Co., Chartered Accountants, as the Auditors will require special resolution passed by the Members.

**ACKNOWLEDGEMENT :**

Your Directors wish to express their gratitude for the assistance and co-operation received from Industrial Development Bank of India, Union Bank of India, Dombivli Nagari Sahakari Bank Limited, The Thane Janata Sahakari Bank Limited, Maharashtra State Electricity-Board, Maharashtra Industrial Development Corporation, Navi Mumbai Municipal Corporation and other government and semi-government authorities, corporations and institutions.

The Directors wish to thank the Hon'ble Board of Industrial and Financial Reconstruction (BIFR) for its continued guidance and support.

The Directors also thank all the shareholders and investors for reposing continued confidence in the Company.

Your Directors also wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company and their unstinted efforts for the progress of the Company.

**By Order of the Board of Directors**

**Pradeep Goyal**  
**Chairman & Managing Director**

June 24, 2005

**REGISTERED OFFICE :**

Pradeep Metals Ltd.  
R - 205, T.T.C. Industrial Area  
M.I.D.C., Rabale, Navi Mumbai - 400 701.

**PRADEEP METALS LIMITED****ANNEXURE A****Information pursuant to Section 217 (1) (e) of the Companies Act, 1956****1. CONSERVATION OF ENERGY :**

The Company continues to make efforts to conserve energy and has been broadly maintaining the unit consumption of power and fuel. New energy efficient conservair system is under installation which will reduce the air leakages in the system and bring down the power cost.

The power factor is at its peak of 1.00 which is considered very good and the Company is getting rebate in power bills for the same.

**2. TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION :****A. Power & Fuel Consumption :**

	31/03/2005	31/03/2004
1. Electricity		
a. Purchased (Unit Nos.)	2,521,837	1,795,259
Total amount (Rs.)	10,431,530	7,677,488
Average rate (Rs./unit)	4.14	4.28
b. Own generation	N.A.	N.A.
2. Furnace Oil		
Quantity (Ltrs.)	628,000	452,600
Total amount (Rs.)	8,711,157	5,854,789
Average rate (Rs./Ltr.)	13.87	12.94
3. Light Diesel Oil (LDO)		
Quantity (Ltrs.)	282,480	199,200
Total amount (Rs.)	6,416,950	3,624,691
Average rate (Rs./Ltr.)	22.72	18.20
<b>B. Consumption per unit of Production :</b>		
Quantity (MT)	2972	2191
Electricity Units/MT	849	819
Furnace Oil Ltrs./MT	211	207
LDO Ltrs./MT	95	91

**C. TECHNOLOGY ABSORPTION :****1. Research & Development :**

The Company is constantly upgrading the design of dies and trim tools to reduce raw material consumption and achieve better product quality.

**2. Benefits derived :**

Improvement in productivity, quality and cost effectiveness.

**3. Future Plans :**

CNC lathes and milling machine are proposed to be purchased, which will substantially increase the machining capacity and enable the company to supply high value added products.

**4. Expenditure on Research & Development :**

Since Research & Development is carried out in-house, as a part of ongoing manufacturing operations, the expenditure is not separately accounted for and the same is debited to the respective accounts.

**5. Technology Absorption, Adoption and Innovation :**

Continuous improvements in the manufacturing process, wherever feasible, and focus on development of intricate precision forgings for export, form part of the ongoing operations of the Company.

**D. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Total foreign exchange used and earned:

**Used** : Rs. 4,628,353

**Earned** : Rs. 178,563,125