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|----------------|
| 26th           |
| <b>ANNUAL</b>  |
| <b>REPORT</b>  |
| <b>2008-09</b> |

**PRADEEP METALS LIMITED**



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**BOARD OF DIRECTORS**

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**Pradeep Goyal**

Chairman & Managing Director

**Rajnikant D. Shroff**

**Omprakash Agarwal**

**Rakesh Kumar Agarwal**

**Dinesh T. Parekh**

**Suresh G. Vaidya**

**Raj Kumar Mittal**

**Kewal Krishan Nohria**

**Neeru Goyal**

**COMPANY SECRETARY**

Abhinay Kapoor

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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

## 26th ANNUAL REPORT 2009



### NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SIXTH ANNUAL GENERAL MEETING OF PRADEEP METALS LIMITED will be held at its Registered Office at R-205, TTC Industrial Area, MIDC, Rabale, Navi Mumbai 400 701 on Friday, 31<sup>st</sup> July, 2009, at 4.00 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, 2009 and the Balance Sheet as at that date.
2. To appoint Shri Rajnikant D. Shroff, Director who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Shri Rakesh Kumar Agarwal, Director who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Shri Dinesh T. Parekh, Director who retires by rotation, but being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

#### Special Business

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

**"RESOLVED THAT** Smt. Neeru Pradeep Goyal, who was appointed as an Additional Director on 29<sup>th</sup> January, 2009 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 her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. **Revision of the remuneration of Shri Pradeep Goyal, Chairman and Managing Director of the Company:**

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 Section 198, 269, 309, 310, 311 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, and such other consents and approvals as may be required, consent of the Company be and is hereby accorded to the revision in remuneration payable to Shri Pradeep Goyal, Chairman and Managing Director of the Company, for the period from April 1, 2009 to December 16, 2010, as under:-

- |   |   |   |
|---|---|---|
| 1. Salary (Basic) per month               | : | Rs.3,00,000/- in a scale of<br>Rs.3,00,000/- – Rs.25,000/- – Rs.3,50,000/-  |
| 2. Perquisites (including allowances)     | : |   |
| (a) Leave Travel Allowance                | : | The yearly payment in the form of allowance shall be equivalent to one month's basic salary.  |
| (b) Magazines/Books allowance             | : | Rs.50,000/- per annum   |
| (c) Gas/Electricity/Maintenance Allowance | : | Rs.50,000/- per annum   |
| (d) Medical reimbursement                 | : | Expenditure incurred by the Chairman and Managing Director and his family, subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years. |



- |   |   |  |
|---|---|--|
| (e) Club Fees   | : | Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.        |
| (f) Contribution to Provident Fund, Superannuation Fund or Annuity Fund | : | To the extent these either singly or put together are not taxable under the Income Tax, 1961.                          |
| (g) Gratuity  | : | Payable at a rate not exceeding half month's salary for each completed year of service.                                |
| (h) Encashment of leave   | : | At the end of the tenure as per the Company's rules.   |
| (i) Car   | : | For use on the Company's business.   |
| (j) Telephone   | : | At residence and cellular phone. Personal long distance calls on telephone to be charged and recovered by the Company. |
3. In addition to the above, the Chairman and Managing Director shall be entitled for a Performance Variable Pay of a maximum of Rs.10,00,000/- per annum. The exact quantum payable will be based on extent of achievement against the performance targets set by the Board of Directors and/or Remuneration Committee of Directors of the Company from time to time.

The perquisites and allowances shall be evaluated as per income-tax rules, wherever applicable. In the absence of any such rules, perquisite and allowances shall be evaluated at cost.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to decide the remuneration (salary, perquisite and performance variable pay) payable to Shri Goyal, within the terms mentioned above.

**RESOLVED FURTHER THAT** where in any financial year, the Company has no profit or inadequate profit, the remuneration as decided by Board from time to time, shall be paid to Shri Goyal as minimum remuneration with the approval of the Central Government, if required.

**RESOLVED FURTHER THAT** Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things as may be considered necessary, proper or desirable to give effect to this resolution."

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

Navi Mumbai  
May 21, 2009

**ABHINAY KAPOOR  
COMPANY SECRETARY**

**REGISTERED OFFICE:**  
Pradeep Metals Ltd.  
R-205, MIDC  
Rabale, Navi Mumbai 400 701

**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) Members are requested to intimate any change in their address to the Registrar and Transfer Agents of the Company, Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078 immediately.
- (c) 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.
- (d) Members are requested to intimate to the Company, details, if any, required in relation to this Annual Report at least 7 (seven) days before the meeting to enable the Management to keep the information ready at the meeting.
- (e) 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 am to 1 pm up to the date of the Annual General Meeting except on Sundays and other holidays.
- (f) Members/Proxies are requested to bring their copies of the Annual Report to the meeting.
- (g) 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.
- (h) The Register of Members & Transfer Books of the Company in respect of Equity Shares will remain closed from 24<sup>th</sup> July, 2009 to 31<sup>st</sup> July, 2009 (both days inclusive).

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## **EXPLANATORY STATEMENT**

**Explanatory Statement under Section 173(2) of the Companies Act, 1956 forming part of the Notice dated 21<sup>st</sup> May, 2009**

### **Item No. 6**

Smt. Neeru Pradeep Goyal was appointed as an Additional Director of the Company on 29<sup>th</sup> January, 2009 by the Board of Directors to hold the office up to the date of this Annual General Meeting.

Smt. Neeru Goyal is a B.Sc (Chem.) graduate and Post Graduate in English Literature with over a decade of experience in the field of exporting engineered goods to various parts of the world. She is relative of Shri Pradeep Goyal, Chairman and Managing Director of the Company. (Her detailed particulars are given in annexure attached)

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

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

The Board recommends the resolution for approval of the members.

None of the Directors except Smt. Neeru Pradeep Goyal and Shri Pradeep Goyal are concerned or interested in the resolution.

### **Item No. 7**

The Board at its meeting held on May 21, 2009 pursuant to the approval of the Remuneration Committee and subject to the consent of the shareholders, and other approvals as may deemed necessary, has approved the revision in remuneration payable to Shri Pradeep Goyal in line with the growth of the Company and responsibilities assigned to him. Shri Goyal was re-appointed as the Managing Director for a period of 5 years from 17<sup>th</sup> December, 2005 to 16<sup>th</sup> December, 2010.

The following additional information as required by Schedule XIII to the Companies Act, 1956 is produced hereunder:

#### **A. General Information**

- 1) Nature of the industry - Manufacturing and export of closed die forged and machined components
- 2) Date or expected date of commencement of commercial production – Already in business
- 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus – Not applicable
- 4) Financial performance based on given indicators

(Rs. in lacs)

| Year                            | 2008-09 | 2007-08 | 2006-07 |
|---------------------------------|---------|---------|---------|
| Gross Receipts                  | 8319.22 | 7077.67 | 5503.87 |
| Profit Before Exceptional Items | 450.39  | 376.63  | 252.33  |
| Profit After Exceptional Items  | 523.21  | 376.63  | 252.33  |

- 5) Export performance and net foreign exchange earnings - Rs. 5074.80 lacs during the financial year 2008-09.
- 6) Foreign investments or collaborators, if any - Not applicable

#### **B. Information about the appointee**

##### **(1) Background details :**

Shri. Pradeep Goyal is a qualified engineer having completed his B. Tech. (Metallurgy) from Indian Institute of Technology, Kanpur (1978), and obtained his S. M. (Material Science and Engineering) from the world renowned Massachusetts Institute of Technology, Cambridge, MA, USA (1980). He is currently on the Board of Directors of United Phosphorous Ltd., Uniphos Enterprises Ltd.,

Entegra Ltd., Hind Rectifiers Ltd. and Janakalyan Sahakari Bank Ltd. He has worked with Mukand Limited, India, Degussa International, Hanau, West Germany and Air Products & Chemicals Inc. Allentown, PA, USA at various positions before he joined as Chairman and Managing Director of Pradeep Metals Limited. He was a Trustee of ASM International, USA, and a member of All India Manufacturers Organization, Indo-German Chamber of Commerce, Indian Merchants Chamber and Thane Belapur Industries Association.

(2) Past remuneration

As Chairman and Managing Director of Pradeep Metals Ltd., he draws salary of Rs. 1,25,000/- per month. He is also eligible for perquisites as allowed to senior executives of the Company. The salary and perquisites aggregating to Rs.16,14,583/- were paid to him in financial year 2008-09.

(3) Recognitions and awards

He was awarded the first rank in Metallurgy in I.I.T. Kanpur and received silver medal from the President of India. Best Student Metallurgist Award was conferred on him by the Indian Institute of Metals in 1978. He is the recipient of several awards and scholarships all through his career.

(4) Job profile and suitability

Shri Pradeep Goyal is the Chairman and Managing Director of the Company and functions as its Chief Executive Officer. The Company has seen exceptional growth since last five years with his technical and marketing expertise.

(5) Remuneration proposed

As per the terms and conditions given in the proposed resolution as part of Notice of Annual General Meeting.

(6) Comparative remuneration profile with respect to industry; size of company; profile and position of the person

Considering the qualifications and experience of Shri Goyal and looking to the considerate growing of the Company and its increasing revenue, the responsibilities shouldered by him, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other organizations.

(7) Pecuniary relationship directly or indirectly, with the company, or relation with the managerial person

Shri Goyal belongs to the Promoters' Group and is relative of Smt. Neeru Pradeep Goyal, Additional Director. Besides remuneration being proposed, he does not have any pecuniary relationship with the Company.

C. Other Information

(1) Reasons of loss or inadequate profits

Business profits have been low in the past due to several reasons like overall economic position in the automobile industry, volume of market captured by the Company etc. The Company is growing steadily and with the technical and marketing efforts of Shri Pradeep Goyal, the business as well as profitability of the Company are expected to show further upward trend.

(2) Steps taken or proposed to be taken for improvement

The Company has developed new customers and also new components for existing customers during the last financial year resulting in new business. The Company has also embarked on several steel yield improvement methods for improved profitability. The results of these steps and other initiatives will be seen in the coming year.

(3) Expected increase in productivity and profits in measurement terms

Considering the recessionary market conditions prevailing globally and efforts made by the management

## PRADEEP METALS LIMITED



to develop the new products and customers, the Company has set the following targets in terms of sales and profitability;

(Rs. in lacs)

| Year                  | 2009-10 | 2010-11 | 2011-12 |
|-----------------------|---------|---------|---------|
| Gross Receipts        | 8000    | 8800    | 9500    |
| Net Profit before Tax | 500     | 630     | 750     |
| Net Profit after Tax  | 450     | 567     | 675     |

The Board recommends the above Resolution for approval of the members.

None of the Directors of the Company, other than Shri. Pradeep Goyal himself and Smt. Neeru Pradeep Goyal, Additional Director is deemed to be concerned or interested in the above resolution.

Further, the above Explanatory Statement shall be construed as an abstract of the terms of the variation together with a Memorandum of Interest or concern of the interested Directors as prescribed under section 302 of the Companies Act, 1956.

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

Navi Mumbai  
May 21, 2009

**ABHINAY KAPOOR  
COMPANY SECRETARY**

**REGISTERED OFFICE:**

Pradeep Metals Ltd.  
R-205, MIDC,  
Rabale, Navi Mumbai 400 701.





## Item Nos. 2, 3, 4 & 6

Information required to be furnished under Clause 49 of the Listing Agreement in respect of Directors being appointed/re-appointed

|   |  |   |   |                                      |
|---|--|---|---|--------------------------------------|
| Name of the Director  | Shri Rajnikant D. Shroff   | Shri Rakesh Kumar Agarwal   | Shri Dinesh T. Parekh   | Smt. Neeru Pradeep Goyal             |
| Date of Birth   | 20.10.1933   | 10.06.1963  | 18.01.1945  | 07.09.1958                           |
| Date of Appointment   | 31.12.1993   | 31.10.2001  | 30.04.2003  | 29.01.2009                           |
| Expertise in Specific functional area                                     | Industrialist  | Expert on international trade and technical matters   | Business Executive and Management Expert  | Business Entrepreneur                |
| Qualification   | B.Sc., SCMP (Business Management, Harvard)   | B.E (Mech)  | B.Sc., M.B.A. from USA  | B.Sc (Chem.), M.A (Eng. Lit)         |
| List of outside Directorships held  | United Phosphorus Ltd.<br>Uniphos Enterprises Ltd.<br>Enviro Technology Ltd.<br>Nivi Trading Ltd.<br>Shroff United Chemicals Ltd.<br>Swal Corporation Ltd.<br>Uniphos Agro Industries Ltd.<br>Bharuch Enviro Infrastructure Ltd.<br>Agri Net Solutions Ltd.<br>Vapi Effluent and Waste Management Co. Ltd.<br>Uniphos Envirotronc Pvt. Ltd.<br>Tatva Global Environment Ltd.<br>Demuric Holdings Pvt. Ltd.<br>Vyom Finvest Pvt. Ltd.<br>Sanguine Holdings Pvt. Ltd.<br>Shroff Envirotral Pvt. Ltd. | Shirdi Industries Ltd.<br>Asis Global Ltd.<br>Asis Logistics Ltd.<br>Labh Capital Services Pvt. Ltd.<br>Repute Properties Pvt. Ltd.<br>Asis Industries Pvt. Ltd.<br>Swanbay Technologies Pvt. Ltd.<br>Christ Consultancy Pvt. Ltd.<br>Poona Pearls Biotech Ltd. | Nil   | Rabale Engineering (India) Pvt. Ltd. |
| Chairman/Member of the Committee of the Board of Directors of the Company | Member, Audit Committee  | Member, Audit Committee<br>Chairman, Shareholders'/Investors' Grievance Committee   | Member, Audit Committee<br>Member, Shareholders'/Investors' Grievance Committee | Nil                                  |
| Chairman/Member of the Committee of Directors of other companies:-        |  |   |   |                                      |
| a) Audit Committee  | Nil  | Nil   | Nil   | Nil                                  |
| b) Shareholders'/Investors' Grievance Committee                           | Nil  | Nil   | Nil   | Nil                                  |
| c) Remuneration Committee   | Nil  | Nil   | Nil   | Nil                                  |
| d) Share Transfer Committee   | Nil  | Nil   | Nil   | Nil                                  |

**DIRECTORS' REPORT**

To,  
The Shareholders

Your Directors are pleased to present the Twenty Sixth Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2009.

**FINANCIAL HIGHLIGHTS :**

|   | <b>Rs. in lacs</b> |                |
|---|--------------------|----------------|
|   | <b>2008-09</b>     | <b>2007-08</b> |
| Sales and Other Income                        | <b>8423.45</b>     | 7231.59        |
| Profit from sale of assets of Dombivli Unit   | <b>72.80</b>       | -              |
|   | <b>8496.25</b>     | 7231.59        |
| Profit before Interest, Depreciation, and Tax | <b>1137.49</b>     | 954.24         |
| Less: Interest                                | <b>403.28</b>      | 387.32         |
| Less: Depreciation                            | <b>137.24</b>      | 135.08         |
| Less: Preliminary expenses written off        | <b>0.21</b>        | 0.21           |
| Profit before Tax                             | <b>596.76</b>      | 431.63         |
| Less: Provision for Income Tax                | <b>70.00</b>       | 50.00          |
| Less: Provision for Fringe Benefit Tax        | <b>3.55</b>        | 5.00           |
| Profit for the year                           | <b>523.21</b>      | 376.63         |
| Add : Deferred Tax Asset                      | <b>334.44</b>      | -              |
|   | <b>857.65</b>      | 376.63         |

**DIVIDEND:**

In view of need to conserve resources for strengthening working capital fund as well as future growth, your Directors do not recommend payment of any dividend.

**PERFORMANCE :**

Despite the global recessionary conditions, the Company has been able to significantly improve its' turnover to Rs. 8319.22 lacs during the year as compared to Rs. 7077.67 lacs in the previous year registering an increase of 18%. The profit before interest, depreciation and tax (excluding profit on sale of assets of Dombivli unit) has slightly come down to 12.64% during the current year from 13.20% in the previous year, mainly due to rising cost of raw materials and logistics. The Company has been able to keep the other cost components under control.

The Company has developed customers mainly the spheres of gas & oil field equipments and mechanical instruments and has completely disassociated itself from the automobile industry, which has enabled the Company to improve its performance inspite of the global recessionary conditions. The outlook of the Company's business is dealt within the management discussion.

**EXPORTS :**

During the year, exports of the Company were Rs. 5074.80 lacs as compared to Rs. 3981.78 lacs in the previous year showing an increase of 27%. This has been achieved mainly due to higher value added products and greater customer satisfaction. Your Company hopes to sustain and increase its exports performance in the coming years.

**QUALITY :**

Your Company's focus on maintaining high level of quality consciousness is evident from its continued certification as an ISO 9001-2000 and Pressure Equipment Directive 97/23/EC (PED) approved manufacturing unit. Your Company makes concerted efforts for constant improvement in quality of its products. The Company has also been approved to supply Nuclear Quality forgings to Germany and USA. Your Company has added several machines for precision machining of forged products and also enhanced