



<b>27th</b>
<b>ANNUAL</b>
<b>REPORT</b>
<b>2009-10</b>

**PRADEEP METALS LIMITED**



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**BOARD OF DIRECTORS**

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**Pradeep Goyal**

Chairman & Managing Director

**Rajnikant D. Shroff**

**Kewal Krishan Nohria**

**Omprakash Agarwal**

**Rakesh Kumar Agarwal**

**Dinesh T. Parekh**

**Suresh G. Vaidya**

**Raj Kumar Mittal**

**Neeru Goyal**

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**COMPANY SECRETARY**

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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

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### NOTICE

**NOTICE IS HEREBY GIVEN THAT THE TWENTY SEVENTH 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, 27<sup>th</sup> August, 2010, 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, 2010 and the Balance Sheet as at that date.
2. To appoint Shri Pradeep Goyal, Director who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Shri Omprakash Agarwal, Director who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Shri Raj Kumar Mittal, Director who retires by rotation, but being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

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

Navi Mumbai,  
26<sup>th</sup> May, 2010

**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 20<sup>th</sup> August, 2010 to 27<sup>th</sup> August, 2010 (both days inclusive).

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### Item Nos. 2, 3 & 4

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 Pradeep Goyal	Shri Omprakash Agarwal	Shri Raj Kumar Mittal
Date of Birth	20 <sup>th</sup> November, 1955	25 <sup>th</sup> March, 1940	5 <sup>th</sup> May, 1944
Date of Appointment	12 <sup>th</sup> August, 1983	10 <sup>th</sup> May, 2001	29 <sup>th</sup> January, 2008
Expertise in Specific functional area	Technical & Management Expert	Engineer	Financial Consultant
Qualification	B.Tech (Metallurgy), IIT, Kanpur S.M (Materials Science & Engineering), MIT, Cambridge, USA	B.E.(Mech), Birla College of Engineering, Pilani	B.Com (Hons), F.C.A.
List of outside Directorships held	United Phosphorus Ltd. Uniphos Enterprises Ltd. Hind Rectifiers Ltd. Entegra Ltd. Janakalyan Sahakari Bank Ltd. S.V.Shah Construction Pvt. Ltd. Esvee Pharma Pvt. Ltd. B.S. Metal Pvt. Ltd.	Economic Forge (P) Ltd. Supreme Heat Treaters (P) Ltd.	CS Enterprises Pvt. Ltd. Vithal Finvest and Consultants Pvt. Ltd. Elegant Marbles & Grani Industries Ltd. Theseus Global Research Pvt. Ltd. Market Entry Solutions Pvt. Ltd. Mumbai Vaish Seva Sansthan Indo Green Projects Ltd. Industrial Investment Trust Ltd. IIT Investrust Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Nil	Member, Shareholders' / Investors' Grievance Committee, Remuneration Committee	Chairman, Audit Committee
Chairman/Member of the Committee of Directors of other companies:-			
a) Audit Committee	2	Nil	4
b) Shareholders / Investors' Grievance Committee	2	Nil	3
c) Remuneration Committee	2	Nil	3
d) Share Transfer Committee			

**DIRECTORS' REPORT**

To,  
The Shareholders

Your Directors are pleased to present the Twenty Seventh Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL HIGHLIGHTS :**

	<b>Rs. in lacs</b>	
	<b>2009-10</b>	2008-09
Sales and Other Income	<b>5346.63</b>	8423.45
Profit from sale of assets of Dombivli Unit	-	72.80
	<b>5346.63</b>	8496.25
Profit before Interest, Depreciation and Tax	<b>583.30</b>	1137.49
Less : Interest	<b>308.51</b>	403.28
Less: Depreciation	<b>144.01</b>	137.24
Less: Preliminary expenses written off	<b>0.21</b>	0.21
Profit before Tax	<b>130.57</b>	596.76
Less: Provision for Income Tax	<b>22.20</b>	70.00
Less: Provision for Fringe Benefit Tax	-	3.55
Less: Income Tax adjustment for previous years	<b>1.94</b>	-
Profit after Tax	<b>106.43</b>	523.21
Add/(Less): Deferred Tax Asset	<b>(73.51)</b>	334.44
	<b>32.92</b>	857.65

**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 :**

Due to global recessionary conditions and reduced demand from overseas customers, the operations of the Company have been adversely impacted during the year. The Company has achieved turnover of Rs. 5280.69 lacs during the year as compared to Rs. 8319.22 lacs in the previous year. The profit before interest, depreciation and tax has come down mainly due to rising cost of raw materials, power, consumables and logistics. The Company has been able to keep the other cost components under control.

The Company has developed customers mainly in the area of gas & oil field equipments and mechanical instruments. This segment of business has suffered reduced demand this year resulting in decreased sales for the Company. The future outlook of the Company's business is dealt within the Management Discussion and Analysis.

**EXPORTS :**

During the year, exports of the Company were Rs. 2287.17 lacs as compared to Rs. 5074.80 lacs in the previous year. This has resulted in the substantial loss of sales and revenues for the current year. Your Company has made plans to increase its export performance in the coming years.

**VARIATION OF TERMS OF REDEMPTION OF PREFERENCE SHARES**

The Company has obtained consent from the shareholders of 5,19,800 10% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each, aggregating to Rs. 5,19,80,000/-, pursuant to Section 106 and other applicable provision of the Companies Act, 1956 and Article 8A of Articles of Association of the Company for variation of the rights of the Preference Shareholders by extending the time for redemption of the said preference shares, which are due for redemption in two yearly instalments of Rs.2,59,90,000/- each on 31<sup>st</sup> March, 2010 and 31<sup>st</sup> March, 2011, by further period of 3 years and that these

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shares would now be redeemable in two equal yearly instalments of Rs.2,59,90,000/- each on 31<sup>st</sup> March, 2013 and 31<sup>st</sup> March, 2014.

### **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 its die making capability by installing modern CNC / VMC machines and Analyses software for die design. These measures will further improve the quality of finished components.

### **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 :**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are required to be set out in the annexure to the Directors' Report. However as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary.

### **HUMAN RESOURCE DEVELOPMENT :**

The Company believes that human resources are a valuable asset. The Company continuously carries out Training and Development programs for the benefit of the employees. The process for updating technical skills of employees and developing good work culture on the shop floor is ongoing regularly.

### **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 the 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 are annexed as **Annexure B & Annexure C**.

### **DIRECTORS :**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Pradeep Goyal, Shri Omprakash Agarwal and Shri Raj Kumar Mittal, Directors of the Company, retire by rotation and being eligible, have offered themselves for re-appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT :**

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

- a. that in the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2010, 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 judgments 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, 2010 and of the profit or loss of the Company for the year ended on that date;
- 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 27<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment.

**ACKNOWLEDGEMENT :**

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

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**

Navi Mumbai,  
26<sup>th</sup> May, 2010

**PRADEEP GOYAL**  
**CHAIRMAN & MANAGING DIRECTOR**

**REGISTERED OFFICE :**

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



### Information pursuant to Section 217 (1) (e) of the Companies Act, 1956

#### 1. CONSERVATION OF ENERGY :

The Company continuously makes efforts to conserve energy. Conservair system to optimize compressed air consumption was installed and is working satisfactorily. All sodium vapour high-bay lights were replaced by low energy tube-lights, including all domestic lighting. Constant monitoring of compressed air leakage is introduced on weekly basis. Electrical system is upgraded to achieve unity power factor, resulting in significant discount from MSEB. High energy consuming machines are preferably operated in night shifts, when power tariff is low.

#### 2. TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION :

##### A. Power & Fuel Consumption :

	31/03/2010	31/03/2009
1. Electricity		
a. Purchased (Unit Nos.)	3,733,260	4,402,650
Total amount (Rs.)	20,895,760	22,298,130
Average rate (Rs./unit)	5.60	5.06
b. Own generation	N.A.	N.A.
2. Furnace Oil		
Quantity (Ltrs.)	396,400	554,400
Total amount (Rs.)	10,669,632	15,900,033
Average rate (Rs./Ltr.)	26.92	28.68
3. Light Diesel Oil (LDO)		
Quantity (Ltrs.)	22,080	72,080
Total amount (Rs.)	843,942	2,977,956
Average rate (Rs./Ltr.)	38.22	41.31
4. Methyl Ester		
Quantity (Ltrs.)	69,448	-
Total amount (Rs.)	2,573,953	-
Average rate (Rs./Ltr.)	37.06	-

##### B. Consumption per unit of Production :

Quantity	Mt. (forged wt)	2860	3429
Electricity	Unit/Mt	1305*	1284
Furnace Oil/LDO/Methyl Ester	Ltrs./Mt	171	183

\* The Company has started manufacturing forgings using induction heaters by replacing furnace oil furnaces.

##### C. Technology Absorption :

###### 1. Research & Development :

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

###### 2. Benefits derived:

Improvement in productivity, quality and yield.

###### 3. Future Plans:

The Company plans to install high speed large VMC for manufacturing 6.25T hammer dies to obtain greater accuracy and repeatability. Further addition of CNC lathes is planned since larger number of products are being sold in machined condition. It is planned to install 750T forging press and ancillary equipment for the manufacture of tiny components, of which larger orders are being received. Increased cutting capacity with high speed circular saws and potential of conversion of air hammer to hydraulic is also under consideration to reduce power consumption.

###### 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 and focus on development of intricate precision forgings for export, form part of the ongoing operations of the Company. The Company continues to adopt Lean manufacturing methods to further improve manufacturing practices.

##### D. Foreign Exchange Earnings and Outgo:

Total foreign exchange used and earned:

Used : Rs. 49,64,954

Earned : Rs. 22,87,17,277

**REPORT ON CORPORATE GOVERNANCE**

The Directors present the Company's Report on Corporate Governance for the year ended 31<sup>st</sup> March, 2010 as required under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd.

**1. Company's philosophy on corporate governance.**

Pradeep Metals Limited (PML) is committed to the highest standards of corporate governance in all its endeavors by inculcating in all its operations and processes, the principles of transparency, integrity, professionalism and accountability. PML believes in corporate governance as a necessary culture for achieving superior performance and its core being transparency, accountability, equity and openness in the working of the management and the Board. Sound corporate governance in line with Clause 49 of the Listing Agreement and SEBI guidelines has been put in place.

**2. Board of Directors**

In terms of the Company's corporate governance policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibilities of supervision, control and direction of the Company.

**(A) Composition of Board**

The Board of Directors consists of Executive and Non-Executive Directors. The total number of Directors of the Company is NINE, including the Chairman & Managing Director.

Name of Director	Category Promoters, Executive, Non-Executive, Independent	No. of Board Meetings attended	Last AGM attended	No. of Other Directorships held (excluding private & foreign companies as on 31/03/2010)	Committee Membership(s) of other companies	
					Member	Chairman
Pradeep Goyal	Promoters' Group, Chairman & Managing Director	6	Yes	4	3	3
Rajnikant D. Shroff	Non-Executive, Independent	Nil	No	11	Nil	Nil
Kewal Krishan Nohria	Non- Executive Independent	5	No	9	5	2
Omprakash Agarwal	Non-Executive, Independent	6	Yes	Nil	Nil	Nil
Rakesh Kumar Agarwal	Non-Executive, Independent	5	Yes	3	1	Nil
Dinesh T. Parekh	Non-Executive, Independent	3	No	Nil	Nil	Nil
Suresh G. Vaidya	Non-Executive, Independent	3	Yes	1	Nil	Nil
Raj Kumar Mittal	Non-Executive Independent	6	Yes	4	6	4
Neeru Pradeep Goyal	Promoters' Group, Non- Executive	6	Yes	Nil	Nil	Nil

**B) Meetings**

During the financial year 2009–10, six meetings of the Board were held on 25<sup>th</sup> April, 2009, 21<sup>st</sup> May, 2009, 31<sup>st</sup> July, 2009, 22<sup>nd</sup> October, 2009, 22<sup>nd</sup> January, 2010 and 26<sup>th</sup> February, 2010.

**(C) Code of Conduct**

The Board has laid down a code of conduct which is applicable to all the Board members and senior management of the Company.