



28th
ANNUAL
REPORT
2010-11

PRADEEP METALS LIMITED

VISION STATEMENT

**To become the preferred strategic supplier
of globally competitive precision die forging components
to the engineering industry.**

**To continue to focus on innovative methods
to achieve better customer satisfaction with excellence
and professionalism**

QUALITY POLICY

**“To achieve Customer satisfaction,
by involvement of all employees and by using
a Quality management system, which ensures
continual improvement in product quality.”**

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**CHAIRMAN'S STATEMENT**

Dear Shareholders,

It is my pleasure to present the performance of your Company during the last fiscal year 2010 -2011.

After facing one the most difficult year in 2009 – 2010 due to global turmoil, the Company has swiftly come back on the growth path. Your Company has not only recovered the lost ground but also achieved the best performance in terms of turnover and profitability, with the growth of 70% in revenues and more than 4 fold increase in profit before taxation. The Company has been able to pay dividend of 10% p.a. on Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) for 2 ½ years and to recommend payment of dividend of 10% on Equity Shares. Your Company has negligible long term debt and enjoys healthy relationship with Union Bank of India, sole bankers, who have provided credit facilities of Rs.41.77 crores. The Return on Equity (RoE), before deferred tax liability, stood at 22%, which is above the industry standard. With the planned growth in the business, the expected lag effect of the current fiscal economic recovery in domestic, USA and European countries and our strenuous production efficiencies, we are confident of achieving higher growth in the coming years.

As per the economists, India expects to grow at a rate of 8% to 9% in the next 5 years. However, maintaining this kind of growth consistently in the long run is not easily achievable without facing certain challenges. The major challenges are inflation of over 8% and fiscal deficit. With improved focus of the Government on reforms in agriculture sector, monetary policies adopted by Reserve Bank of India and good monsoon during the current fiscal year, the inflation should settle at comfortable levels.

Expected cash flows from disinvestment in pipeline coupled with good growth in the economy, the Government should achieve the target set for fiscal deficit of 4.6% during the current fiscal.

Let me take you through the Company's journey in the last three decades of its presence in the business of forging. When we started our business, we were predominantly catering to the automobile industry. This sector has undergone lot of changes in the last two decades. The auto forging business is cyclical in nature, highly cost competitive and low margin business. Accordingly, your Company had taken a conscious decision to diversify the focus to alternative industrial forging market. We were one of the early players to recognize the opportunity in non-automotive segment of the forging business in the country.

Your Company has always excelled in technology adoption since inception. Being a technologically advanced and precision design Company, we have decided to concentrate our focus towards the niche segment of non-automotive forging business. There is a tremendous opportunity in this segment. Your Company has been recognized as one of the leading players in this segment. Our strategy of diversifying focus towards the non automotive segment has served us very well over the years.

Your Company has been exporting predominantly to developed countries with good mix of customers from USA, Europe and Asia. Your Company has new esteemed customers also in South America. Multinational engineering companies are our major customers. We have



maintained good relationship with all our customers across the world. Because of this, your Company has significant repetitive orders from customers.

Your Company's products have received accolades across the world, especially on the grounds of design, technology and dependability. Whoever has visited our state of the art manufacturing facilities situated at MIDC, Rabale, Navi Mumbai, has expressed their desire to work with us. Your Company is also planning an expansion of its manufacturing capacity by setting up a new unit in the state of Gujarat in order to meet the rising demand for its products.

During the year, the exports of the Company have grown by 68% over the last year. This has been achieved mainly due to high end value added products, timely execution of the orders, greater consumer satisfaction and improved market conditions in USA and Europe. Your Company is confident to deliver consistent growth on exports front in the coming years.

Your Company's focus on maintaining high level of quality consciousness is evident from its continued certification as an ISO 9001:2008 Company. Your Company makes concerted efforts for constant improvement in quality of its products. It is a matter of pride that the Company has also been approved to supply Nuclear Quality forgings to Europe 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.

Your Company has been professionally managed and is under the guidance of esteemed personalities on the board of directors.

I would like to take this opportunity to place on record the efforts of our employees and each every stakeholder for the confidence imposed in the management and our sole bankers, Union Bank of India who have contributed in this commendable growth of the Company.

Pradeep Goyal



BOARD OF DIRECTORS

Pradeep Goyal	Chairman & Managing Director
Rajnikant D. Shroff	Director
Omprakash Agarwal	Director
Dinesh T. Parekh	Director
Suresh G. Vaidya	Director
Raj Kumar Mittal	Director
Kewal Krishan Nohria	Director
Neeru Goyal	Director

COMPANY SECRETARY

Abhinay Kapoor

BANKERS

Union Bank of India

AUDITORS

S. R. Rege & Co.
Chartered Accountants

REGISTERED OFFICE & WORKS

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



NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF PRADEEP METALS LIMITED will be held at its Registered Office at R-205, MIDC, Rabale, Navi Mumbai 400 701. on Monday, 4th July, 2011 at 12.30 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 31st March, 2011 and the Balance Sheet as at that date.
2. To declare a dividend on Equity Shares.
3. To appoint Mr. Kewal K. Nohria, Director who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Mr. Suresh G. Vaidya, Director who retires by rotation, but being eligible, offers himself for re-appointment.
5. To appoint Mrs. Neeru P. Goyal, Director who retires by rotation, but being eligible, offers herself for re-appointment.
6. To appoint Auditors and fix their remuneration.

Special Businesses

7. To consider and pass, with or without modification/s, the following as Special Resolution:-
"Resolved that the consent of the Members of the Company be and is hereby accorded for modification of terms of 5,19,800 10% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs 100/- each, aggregating to Rs 5,19,80,000/- (Rupees Five Crore Nineteen Lac Eighty Thousand) and that the OCCRPS be redeemed on or before 31st July, 2011 at a premium of Rs. 50/- per share."
8. To consider and pass, with or without modification/s, the following as an Ordinary Resolution:-
"Resolved that in supersession of the resolution passed by the members of the Company in their meeting held on 25th February, 2000, the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors, hereinafter called 'the Board', (which term shall be deemed to include any Committee thereof) of the Company of such mortgage(s), charge(s) and hypothecation(s), in addition to the existing mortgage(s), charge(s), hypothecation(s), created by the Company, on such of the assets of the Company, both present and future, in such a manner, as the Board thinks fit, together with power to take over management in certain events, to or in favour of all or any of the financial institutions, banks, mutual funds, trustees, bodies corporates, any other agencies (hereinafter referred to as the Lending Agency(ies), Trustees for the holders of the debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure debentures, bonds, term loans or any other type of loans/borrowings/ arrangements, the value of which does not exceed Rs. 1,50,00,00,000/- (Rupees One Hundred Fifty Crore Only) in aggregate at any one point of time, together with interest, compound interest, additional interest, liquidated damages, commitment charges, cost, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective loan agreements/Debentures/Trust Deeds to be entered into by the Company, in respect of the said borrowing(s)."
"RESOLVED FURTHER THAT the Board, be and is, hereby authorised to finalise with the Lending Agency(ies), Trustees, or the concerned lenders of money, the documents for creating the mortgages/ charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions and to do all such acts, deeds, matters and things to execute all such documents and



writing as Board thinks fit.”

9. To consider and pass, with or without modification/s, the following as an Ordinary Resolution:-

“Resolved that the consent of the Company be and is hereby accorded, under the provisions of section 293(1)(d) and Articles of the Company and all other applicable provisions, if any, of the Companies Act, 1956 and subject to compliance with all applicable laws and regulations, to the Board of Directors of the Company, hereinafter referred to as “the Board” (which term shall be deemed to include any Committee thereof) to borrow any sum or sums of money in any manner, from time to time, with or without security and upon such terms and conditions as they deem appropriate, notwithstanding that the aggregate of moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, from time to time, that is to say, reserves not set apart for any specific purpose; Provided however that the total amount up to which moneys may be borrowed by the Board (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) shall not exceed at any given point of time the sum of Rs.150 Crore (Rupees One Hundred Fifty Crore Only)”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem necessary, desirable or expedient to give effect to this resolution.”

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

Navi Mumbai
9th May, 2011

**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 Statements, are open for inspection at the Registered Office of the Company on all working days between 11 am to 1 pm upto 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 dematerialized form by all investors.
- (h) The Register of Members & Transfer Books of the Company in respect of Equity Shares will remain closed from 29th June, 2011 to 4th July, 2011 (both days inclusive).
- (i) The payment of dividend on Equity Shares upon declaration by the Members at the forthcoming Annual General Meeting will be made on or before 18th of July, 2011.

Explanatory Statements

- 1) **ITEM NO. 7:**

5,19,800 10% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs 100/- each, aggregating to Rs. 51,980,000/-, are presently redeemable into two equal yearly instalments of Rs. 25,990,000 each on 31st March, 2013 and 31st March, 2014. The dividend on these shares is also payable for the period from 1st April, 2002 and onwards. The consent of all the holders of OCCRPS has been obtained for the modification of the terms of OCCRPS and for redemption thereof on or before 31st July, 2011, at a premium of Rs. 50/- per share. The Company has issued 12,00,000 Warrants convertible into Equity Shares of Rs. 10/- each at a premium of Rs. 9/- per Share, to the Promoters' group. The Company has made further arrangement for raising funds by way of a preferential issue of 29,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 12/- per Share and 4,50,000 Warrants convertible into Equity Shares of Rs. 10/- each at a premium of Rs. 12/- each. The OCCRPS shall be redeemed out of the funds raised / to be raised by way of Equity Shares / Warrants as aforesaid.

The consent of the Members is necessary for modification of the terms of OCCRPS and redemption thereof, as aforesaid.

Mr. Pradeep Goyal and Mrs. Neeru Goyal, Directors are deemed to be interested in the resolution as 96.19% of OCCRPS are held by the Promoters' Group. None of the other Directors of the Company is interested in the resolution.



This resolution, being in the interest of the Company, is commended to the Members for consideration and approval.

2) **ITEMS 8 AND 9**

In the Extra-ordinary meeting held on 25th February, 2000, the Members had accorded their consent pursuant to Section 293(1)(a) of the Companies Act, 1956 (the Act), to the Board of Directors of the Company to create pledge, mortgage, hypothecation or any other kind of encumbrance on the assets of the Company to secure its borrowings to the extent of Rs 50 Crore. It is proposed to increase the said powers to the extent of Rs.150 crore with a view to meet the increase financial requirement of the Company.

Further, as per the provisions of Section 293 (1)(d) of the Act, the Board of Directors cannot, except, with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of its paid-up Share Capital and Free Reserves viz. reserves not set aside for any specific purposes. It is proposed to empower the Board of Directors to raise moneys, from time to time, to the extent of Rs.150 crore, for meeting the funds requirements of the Company.

None of the Directors of the Company are interested in the aforesaid resolutions.

These resolutions, being in the interest of the Company, are commended to the Members for consideration and approval.

