



| |
|----------------|
| 29th |
| ANNUAL |
| REPORT |
| 2011-12 |

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”

TABLE OF CONTENTS

| <u>CONTENTS</u> | <u>PAGE NO.</u> |
|--|------------------------|
| NOTICE | 3 |
| PERFORMANCE AT A GLANCE | 13 |
| FINANCIAL HIGHLIGHTS | 13 |
| DIRECTORS' REPORT | 14 |
| REPORT ON CORPORATE GOVERNANCE | 19 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 26 |
| CEO/CFO CERTIFICATION | 28 |
| AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE | 28 |
| AUDITORS' REPORT | 29 |
| BALANCE SHEET ACCOUNT | 32 |
| PROFIT & LOSS ACCOUNT | 33 |
| SCHEDULES TO ACCOUNTS | 34 |
| CASH FLOW STATEMENT | 47 |



BOARD OF DIRECTORS

| | |
|-----------------------------|------------------------------|
| Pradeep Goyal | Chairman & Managing Director |
| Omprakash Agarwal | Director |
| Rakesh Kumar Agarwal | Director |
| Suresh G. Vaidya | Director |
| Raj Kumar Mittal | Director |
| Kewal Krishan Nohria | Director |
| Neeru Goyal | Director |
| Jaidev R. Shroff | Director |
| Rajeev D. Mehrotra | 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 NINTH ANNUAL GENERAL MEETING OF PRADEEP METALS LIMITED WILL BE HELD AT ITS REGISTERED OFFICE AT R-205, MIDC, RABALE, NAVI MUMBAI - 400701 ON THURSDAY, 6TH SEPTEMBER, 2012, 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, 2012 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year 2011-2012.
3. To appoint Mr. Omprakash Agarwal, Director, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Mr. Raj Kumar Mittal, 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 pass, with or without modification/s, the following resolution as an **Ordinary Resolution**:-
“**RESOLVED THAT** Mr. Rakesh Kumar Agarwal, who was appointed as an Additional Director on 12th August, 2011 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.”
7. To consider and pass, with or without modification/s, the following resolution as an **Ordinary Resolution**:-
“**RESOLVED THAT** Mr. Jaidev R. Shroff, who was appointed as an Additional Director on 12th August, 2011 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.”
8. To consider and pass, with or without modification/s, the following resolution as an **Ordinary Resolution**:-
“**RESOLVED THAT** Mr. Rajeev D. Mehrotra, who was appointed as an Additional Director on 5th May, 2012 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.”
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 Section 198, 269, 309, 310, 311, 314 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII to the Companies Act, 1956 and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, consent of the shareholders of the Company be and is hereby accorded to the re-appointment of Mr. Pradeep Goyal as Chairman & Managing Director of the Company, for a period

of 3 years with effect from 17th December, 2010 to 16th December, 2013, on the following remuneration:-

1. Basic Salary :

- A. From 17th December, 2010 to 30th September, 2012 : Rs.3,00,000/- per month
B. From 1st October, 2012 to 16th December, 2013 : Rs.7,00,000/- per month

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. 96,000/- per annum
- (d) Medical reimbursement : Expenditure incurred by the Chairman & Managing Director and his family, subject to ceiling of one month's salary (basic) over a period of three years.
- (e) Club Fees : Actual fees for maximum of two clubs.
Admission fee and life membership fee will 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 Act, 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.

The perquisites and allowances shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at cost.

RESOLVED FURTHER THAT where in any financial year during the tenure of the Chairman & Managing Director, the Company has no profit or has inadequate profit, the above remuneration shall be paid to Mr. Goyal as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT the term of office of Mr. Goyal as Chairman & Managing Director of the Company shall not to be subject to retirement by rotation.

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

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

"RESOLVED THAT subject to the approval of the Central Government and pursuant to Section 309(5B) read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and all guidelines for managerial remuneration issued by the Central Government from time to time, and such other consents and approvals as may be deemed necessary, consent of the Shareholders of the Company be and is hereby accorded for making an application to the Central Government for the waiver of recovery of excess remuneration paid to Mr. Pradeep Goyal, Chairman & Managing Director of the Company, over and above the limits prescribed in Part-II of Schedule XIII of the Act, for the three Financial Years ended on March 31, 2010, March 31, 2011 and March 31, 2012, as detailed hereunder:

29th ANNUAL REPORT 2012



| Period | Remuneration Paid (Amount in Rs.) | Eligible Remuneration as per Schedule XIII to the Companies Act, 1956 (Amount in Rs.) | Excess Remuneration Paid(Amount in Rs.) |
|-------------------------------------|--------------------------------------|---|---|
| April 01, 2009 to March 31, 2010 | 37,60,876/- | *36,00,000/- | 1,60,876/- |
| April 01, 2010 to March 31, 2011 | 37,28,717/- | *36,00,000/- | 1,28,717/- |
| April 01, 2011 to March 31, 2012 | 37,44,165/- | **38,65,661/- | - |

* Arrived on Effective Capital basis

** 5% of pre-tax profit

RESOLVED FURTHER THAT any of the Directors of the Company be and are hereby severally authorized to make an application to Central Government by filing of E-form 25A for waiver of recovery of the excess remuneration paid to the Chairman & Managing Director and to do all such acts, deeds, matters and things as may be deemed necessary to give effect to this resolution.”

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

Navi Mumbai
30th July, 2012

**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) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed and forms part of the Notice.
- (f) 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.
- (g) Members/Proxies are requested to bring their copies of the Annual Report to the Meeting.
- (h) 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.
- (i) The Register of Members & Transfer Books of the Company in respect of Equity Shares will remain closed from 30th August, 2012 to 6th September, 2012, (both days inclusive).
- (j) Payment of dividend as recommended by the Directors, if declared at the Meeting, will be made on or after 11th September, 2012 to the Members whose names stand in the Company's Register of Members on 30th August, 2012 and to the Beneficiary Holders as per the Beneficiary List provided for the purpose by the National Securities Depository Limited and Central Depository Services (India) Ltd.
- (k) Sending the Annual Reports on e-mail ID of shareholders is allowed and you are requested to advise your e-mail ID if you want the Annual Reports to be sent on e-mail; then no separate Annual Report would be sent to you by post. Members are requested to report any changes in the e-mail ID that may have been registered with the Registrar and Transfer Agents of the Company or their decision to receive the Annual Reports by post instead. Any Member may ask for physical copies of the Annual Reports and the same would be sent to him/her free of cost.

Explanatory Statements**Item 6, 7 & 8**

The Board of Directors have appointed Mr. Rakesh Kumar Agarwal and Mr. Jaidev R. Shroff as Additional Directors of the Company on 12th August, 2011 and Mr. Rajeev D. Mehrotra as an Additional Director on 5th May, 2012, to hold the office upto the date of this Annual General Meeting.

Mr. Rakesh Kumar Agarwal, aged 49 years, is a qualified Engineer with over 25 years experience in industry and import-export business. Mr. Agarwal is interested as Director/shareholder of 5 companies who are holding 24,00,000 (14.62%) Equity Shares of the Company, in aggregate.

Mr. Jaidev R. Shroff, aged 47 years, is a Science graduate and the Global CEO of United Phosphorus Group of Companies. He has experience of more than 20 years in various areas of the operations of the Group

companies.

Mr. Rajeev D. Mehrotra, aged 46 years is a Commerce Graduate, CA (Inter) and MBA with over 20 years experience in the fields of banking, financial planning, etc.

The detailed particulars of Mr. Agarwal, Mr. Shroff and Mr. Mehrotra are given as per Annexure II attached herewith.

It is in the interest of the Company to continue to have the benefit of their immense experience and valuable advice to the Members of the Board.

The Company has received separate notices, along with deposit of Rs.500/- each from Members of the Company, under Section 257 of the Companies Act, 1956, proposing their candidature for the office of Directors.

Except Mr. Agarwal, Mr. Shroff and Mr. Mehrotra, who are interested in their respective appointment, no other Director is anyway concerned or interested in these Resolutions.

The Board of Directors recommends their appointment as Directors of the Company, liable to retire by rotation.

Item 9 & 10

Mr. Pradeep Goyal was re-appointed as Chairman & Managing Director of the Company from 17th December, 2010 to 16th December, 2013 by the Board at its meeting held on 28th October, 2010, on the recommendation of the Remuneration Committee, at the following remuneration:-

- | | | |
|---|---|---|
| 1. Basic Salary | : | Rs.3,00,000/- per month. |
| 2. Perquisites and 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.96,000/- per annum |
| (d) Medical reimbursement | : | Expenditure incurred by the Chairman & Managing Director and his family, subject to ceiling of one month's salary (basic) over a period of three years. |
| (e) Club Fees | : | Actual fees for maximum of two clubs. Admission fee and life membership fee will 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 Act, 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. |

The perquisites and allowances shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at cost.

- In addition to the above, the Chairman & Managing Director shall be entitled for a Performance Variable Pay of 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.

Where in any financial year during the tenure of the Chairman & Managing Director, the Company has no profit or has inadequate profit, the above remuneration shall be paid to Mr. Goyal as minimum remuneration with the approval of the Central Government, if required.

However, the Member's approval for the re-appointment and remuneration payable to Mr. Goyal was inadvertently not obtained.

The Board has, at its meeting held on 30th July, 2012, reviewed the performance of the Company during the last three years and placed on record its appreciation of the efforts and contribution made by Mr. Goyal in changing the product mix towards machined components enhancing productivity, enlarging the customers' base and improving profitability. The Board also observed that Mr. Goyal has not claimed annual increments and performance variable pay in the earlier years despite improved profitability. As recommended by the Remuneration Committee and looking to the remuneration being commanded by Chief Executive Officers with similar qualifications and experience in the industry, the Board decided to increase the remuneration payable to Mr. Goyal from Rs.3,00,000/- per month to Rs.7,00,000/- per month and perquisites and allowances as mentioned at S.No.2 above, w.e.f. 1st October, 2012. However, no performance variable pay will be payable to Mr. Goyal.

The information as required under Scheduled XIII part II Section II (1) (B) (iv) and (C) (iv) is given in the Annexure III attached here to.

As, the total remuneration proposed and paid to Mr. Pradeep Goyal, Chairman & Managing Director of the Company was exceeding the eligible limits under Section 309 read with Schedule XIII to the Companies Act, 1956, the Company was required to make separate applications to the Central Government for re-appointment and waiver of excess remuneration paid to him. The details of the excess remuneration paid are as follows:

| Period | Remuneration Paid (Amount in Rs.) | Eligible Remuneration as per Schedule XIII to the Companies Act, 1956 (Amount in Rs.) | Excess Remuneration Paid(Amount in Rs.) |
|-------------------------------------|--------------------------------------|---|---|
| April 01, 2009 to March 31, 2010 | 37,60,876/- | * 36,00,000/- | 1,60,876/- |
| April 01, 2010 to March 31, 2011 | 37,28,717/- | *36,00,000/- | 1,28,717/- |
| April 01, 2011 to March 31, 2012 | 37,44,165/- | **38,65,661/- | - |

* Arrived on Effective Capital basis

**5% of pre-tax profit

The Company is in process of making necessary applications to the Central Government for re-appointment and waiver of excess remuneration paid to Mr. Pradeep Goyal.

Your Directors are of the opinion that the re-appointment of Mr. Pradeep Goyal as Chairman & Managing Director of the Company and waiver of recovery of excess remuneration paid to Mr. Pradeep Goyal are in the best interests of the Company.

None of the Directors of the Company, other than Mr. Pradeep Goyal himself and Mrs. Neeru Pradeep Goyal, Director is deemed to be concerned or interested in the above resolutions.

The Board recommends to the Members to consider and approve the Special Resolutions for re-appointment of Mr. Goyal as Chairman & Managing Director of the Company and remuneration (including revised remuneration) paid/to be paid to Mr. Goyal and waiver of recovery of excess remuneration paid to Mr. Goyal. The Members are also requested to authorize the Board to approach the Central Government for seeking necessary waiver/s and approval/s in the matter.

The above Explanatory Statement shall be construed as an abstract of the terms of the appointment / re-appointment / variations, together with a Memorandum of interest or concern of the interested Directors as prescribed under Section 302 of the Companies Act, 1956.