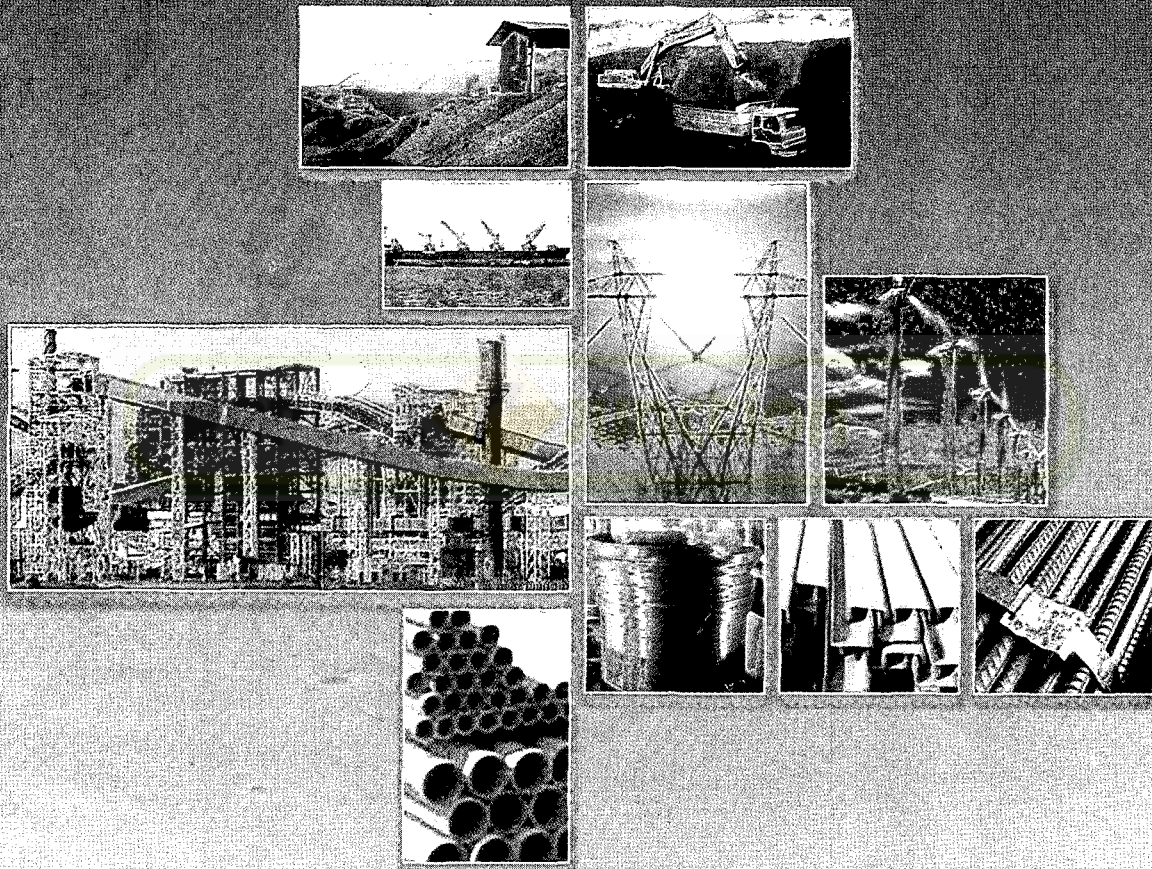


Annual Report 2008-09



Prakash Industries Limited

PRAKASH INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri V. P. Agarwal	Chairman & Managing Director
Shri Vikram Agarwal	Joint Managing Director
Dr. S. L. Keswani	
Shri K. C. Mehra	
Dr. Ram K. Vepa	
Shri Manish Bahl	
Shri Piyoosh Goyal	
Shri G. L. Mohta	Whole - time Director
Shri D. Singh	Whole - time Director
Shri Vipul Agarwal	Whole - time Director

STATUTORY AUDITORS

Chaturvedi & Partners
Chartered Accountants

BANKERS

State Bank of India
Barclays Bank
Kotak Mahindra Bank

COMPANY SECRETARY

Shri Manoj Agarwal

PRAKASH INDUSTRIES LIMITED

REGISTERED OFFICE

15 Km. Stone, Delhi Road,
Hissar-125044 (Haryana)

CORPORATE OFFICE

SRIVAN
Bijwasan,
New Delhi-110.061

Report  WORKS Junction.com

Champa (Chhattisgarh)
Chotia (Chhattisgarh)
Raipur (Chhattisgarh)
Kashipur (Uttaranchal)
Koirā, Distt. Koenjhar (Orissā)
Muppandal (Tamil Nadu)

WEBSITE

www.prakash.com

PRAKASH INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the 28th Annual General Meeting of the Members of Prakash Industries Limited will be held on Saturday, the 1st August, 2009 at 12.30 p.m. at the registered office of the Company at 15 Km. Stone, Delhi Road, Hissar -125044 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2009 and Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. S.L. Keswani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri K.C. Mehra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vikram Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. The term of appointment of M/s Chaturvedi & Partners, Chartered Accountants expire at the conclusion of this general meeting and being eligible offer themselves for re-appointment to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

SPECIAL BUSINESS

6. 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 81(1A) and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to the provisions of Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("Guidelines") as in force and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions of SEBI, the Stock Exchanges, Reserve Bank of India ("RBI"), the Department of Industrial Policy and Promotion, Ministry of Commerce ("DIPP"), the Foreign Investment Promotion Board ("FIPB"), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as "Appropriate Authorities"), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction (hereinafter referred to as "Requisite Approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorized at their absolute discretion to create, offer, issue and allot in one or more tranches, in the domestic/international markets offerings to Domestic/Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Qualified

Institutional Buyers ("QIBs") under Chapter XIII-A of the SEBI Guidelines, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or other eligible investors, whether shareholders of the Company or not, through Preferential Issue and/or Private Placement, with or without an over-allotment option, equity shares and/or equity shares through Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or Foreign Currency Convertible Bonds ("FCCBs") and/or any securities convertible into equity shares at the option of the Company and/or holder(s) of the securities and/or securities linked to equity shares and/or securities with warrants including any instruments or securities representing either equity shares and/or Foreign Currency Convertible Bonds or Convertible Securities or securities linked to equity shares or securities with equity shares/fully convertible debentures/ partly convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares at a later date, or a combination of the foregoing (hereinafter collectively referred to as "Securities"), secured or unsecured, listed on any stock exchange inside India or any international stock exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular and/or other permissible requisite offer documents, as the Board in its sole discretion may at any time or times hereafter decide, for an amount not exceeding Rs.500 crores (Rupees Five Hundred crores) or its equivalent in US Dollars inclusive of such premium as may be decided by the Board.

RESOLVED FURTHER THAT the Company through its Board or any of its Committee and/or any agency or body authorized by the Company, may issue receipts/certificates or other requisite documents representing the Securities to be issued by the Company with such features and attributes as are prevalent in Indian/international capital markets, for instruments of this nature and provide for the tradability or free transferability thereof as per laws, rules, regulations and guidelines under the forms and practices prevalent in the Indian/ international market.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot, from time to time, such number of Equity Shares/Securities at such price (including premium) that may be decided by the Board in its absolute discretion, as may be necessary in accordance with the terms of the offering of any of the aforesaid Securities, including additional Equity Shares or Securities, all such Equity Shares/ Securities ranking pari passu with the then existing Equity Shares/Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities or Instruments or Equity Shares or Securities representing the same, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose, including but without limitation, determining the type, form and manner of the issue/securities, the class of eligible investors to whom the securities are to be offered, issued and allotted in each tranche, issue price, face value, premium amount on issue/conversion of Securities/exercise of warrants/ redemption of securities, rate of interest, conversion or redemption period, appointment of Managers, Merchant Bankers, Guarantors, Financial and/or Legal Advisors, Depositories, Custodians, Registrars, Trustees, Bankers and all other agencies or intermediaries, whether in India or abroad, and to remunerate them by way of commission, brokerage, fees or the like, entering into or execution of all such agreements/ arrangements/ Memorandum of Understandings/ documents with any authorities/ agencies, listing of the Securities (including the resultant Equity Shares to be issued as per the terms of issue of the said Securities) on any Indian and/or Foreign Stock Exchange(s), as it may in absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties, doubts or problems that may arise in regard to the offer, issue, or

PRAKASH INDUSTRIES LIMITED

allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise, with the intent that the member shall be deemed to have their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or any Director or Directors or other officer of the Company, or to any intermediary or agent of the Company, to give effect to the aforesaid resolution."

7. 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 applicable provisions of Foreign Exchange Management Act, 1999, applicable guidelines of Reserve Bank of India, Securities Exchange Board of India (SEBI), including enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and other regulatory bodies and other prevailing laws, rules, and regulations as applicable from time to time, the consent of the Company be and is hereby accorded for the investment by Foreign Institutional Investors in the Share Capital of the Company, by direct investment, purchase, or through private placement / acquisition from the market under the portfolio investment scheme, on repatriation basis or otherwise, subject to the condition that such investments together with their existing holdings, if any, shall not exceed, in the aggregate 35% of the paid up share capital of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or expedient and resolve any doubts or questions as in its absolute discretion, it may consider necessary or expedient as it may deem fit."

8. 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, 267, 269, 309, 310, 311, 317 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), subject to the approval of shareholders and other appropriate authorities, if required, and conditions stipulated in schedule XIII of the said Act, Shri V. P. Agarwal, Chairman and Managing Director of the Company be paid with effect from 1st April 2009 the following remuneration:

- 1) Salary: Rs.10,00,000/- p.m.
(in the grade of Rs.10,00,000 - 2,00,000 – 12,00,000)
- 2) Perquisites : In addition to the aforesaid Salary the following perquisites would be allowed.

Category 'A'

- i) Medical Reimbursement:
Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- ii) Leave Travel Concession:
For self and family to and fro to any place once in a year.
- iii) Club Fees:
Fees and subscription of maximum two clubs. This will not include admission and life membership fees.

Category 'B'

The following perquisites will not be included in the computation of the ceiling on remuneration as per Para 2 of Part II of Section II of Schedule XIII of the Companies Act, 1956.

- i) Company's contribution towards Provident Fund – As per rules of the Company but not exceeding 12% of the salary as laid down under the Income Tax Rules, 1962.
- ii) Gratuity – In accordance with the provisions of the Payment of Gratuity Act but shall not exceed half month's salary for each completed year of service.
- iii) Leave on full pay and allowances as per rules of the Company. Leave accumulated but not availed may be allowed to be encashed as per rules of the Company.

Category 'C'

- i) Free use of Company's Car with driver for Company's business.
- ii) Free mobile and telephone facility at residence. Personal long distance calls shall be billed by the Company.
- iii) Reimbursement of all entertainment and traveling expenses actually incurred by the Managing Director for the business of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to accept any modification(s) in the terms and conditions of the remuneration in such manner as may be suggested by any authority and acceptable to Shri V.P. Agarwal.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to enter into necessary agreement on behalf of the Company with Shri V. P. Agarwal, Chairman and Managing Director of the Company on the terms and conditions as mentioned therein or any modifications thereof as may be agreed to by the Board of Directors and acceptable to Shri V. P. Agarwal.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary and desirable to give effect to this resolution."

By order of the Board
For Prakash Industries Limited

Registered Office:
15 Km. Stone,
Delhi Road,
Hissar – 125044 (Haryana)
Dated : 4th July, 2009

Manoj Agarwal
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be received by the Company at its Registered/Corporate Office not less than 48 hours before commencement of the meeting.
3. Members are requested to bring their copies of the Annual Report to the meeting as spare copies will not be available.
4. Register of Members and Share Transfer Books will remain closed from 28th July, 2009 to 1st August, 2009 (both days inclusive).

5. Members are requested to:

- i) Quote their Folio/ ID number(s) in all correspondence with the Company.
- ii) Notify/send immediately to the Company's Registered/Corporate Office:
 - a) Change, if any, in their registered address alongwith Pin Code No.
 - b) For consolidation of their shareholding, if registered in identical names(s) or joint names in identical order in more than one folio, by sending a request letter alongwith relative share certificates.

6. The shares of the Company w.e.f. 26th February, 2001 are being traded in DEMAT form only. Those shareholders of the Company who may like to have their shares in demated form may send their shares through their respective DPs for demat.

7. Members holding shares in physical form desirous of making a nomination in respect of their shareholding in the Company as permitted under section 109A of the Companies Act, 1956 are requested to send the prescribed Form 2B to the Corporate / Registered Office of the Company. The form for the purpose would be made available on demand.

8. Payment of dividend through Electronic Clearing Service:

Members holding shares in physical form are advised to submit particulars of their bank account viz. name and address of the branch of the bank, 9 digit MICR code of branch, type of account and account number to the Company's office at SRIVAN, Najafgarh – Bijwasan Road, Bijwasan, New Delhi – 110061 to update the records.

9. Information as required under Clause 49 IV(G) of the Listing Agreement with respect to the Directors who are retiring by rotation and being eligible seeking re-appointment is as under:

a) Information regarding Dr. S.L. Keswani proposed for re-appointment as Director:

Dr. Keswani retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Dr. Keswani has been allotted Director Identification No.00190790.

Dr. Keswani joined the Board of the Company in the year 1980. He is Chairman of Audit, Remuneration and Shareholders' / Investors' Grievances Committees of the Company.

Dr. Keswani is a technocrat par excellence and has assisted in setting-up a number of projects as a Consultant. Because of his vast experience, his re-appointment would be beneficial to the Company.

The details of other Companies in which Dr. Keswani is Director and holding the Chairmanship and Committee membership are as under:

Directorship held in other Companies	Committee Chairmanship	Committee Membership
Chemprojects Consulting Pvt.Ltd.	-	-
Kashipur Sugar Mills Ltd.	-	-
Khatema Paper & Board Mills Ltd.	-	Audit
Chemcon Fabricaters (Delhi) Pvt. Ltd.	-	-
Cheema Papers Ltd.	Audit	-
Fuelco Corp. (India) Ltd.	-	-
Fuelco Ispat (India) Ltd.	-	-
Fuelco Washeries (India) Ltd.	-	-
Fuelco Power and Mining Ltd.	-	-
Perfact Pac Ltd.	-	-

PRAKASH INDUSTRIES LIMITED

As on 31st March, 2009 Dr. Keswani was holding 7403 equity shares of the Company.

b) Information regarding Shri K.C. Mehra proposed for re-appointment as Director:

Shri Mehra retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Shri Mehra has been allotted Director Identification No.00128733.

Shri Mehra joined the Board of the Company in the year 1985. He is member of Audit and Remuneration Committees of the Company.

Shri Mehra is a retired banker and has served at senior positions in various banks during his tenure of service. Because of his vast experience in financial matters, his re-appointment would be beneficial to the Company.

Details of other Companies in which Shri Mehra is Director and holding the Chairmanship and Committee membership are as under:

Directorship held in other Companies	Committee Chairmanship	Committee Membership
Seasons Textiles Ltd.	Audit & Remuneration	-
Nijjar Agro Foods Ltd.	Audit & Remuneration	-

As on 31st March, 2009 Shri Mehra was not holding any equity shares of the Company.

c) Information regarding Shri Vikram Agarwal proposed for re-appointment as Director:

Shri Agarwal retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Shri Agarwal has been allotted Director Identification No.00054125.

Shri Agarwal joined the Board of the Company in the year 2005. He is a member of Audit Committee of the Company.

Shri Agarwal is an industrialist and has considerable experience in management and working of the Company. His re-appointment would be beneficial to the Company.

Details of other Companies in which Shri Agarwal is Director and holding the Chairmanship and Committee membership are as under:

Directorship held in other Companies	Committee Chairmanship	Committee Membership
Primenet Global Ltd.	-	Audit
Aircon Systems India Pvt Ltd.	-	-
Prakash Thermal Power Ltd.	-	-
Prakash Mega Power Ltd.	-	-
Prakash Natural Resources Ltd.	-	-
Prakash Urja Ltd.	-	-
Prakash Vidyut Ltd.	-	-

As on 31st March, 2009 Shri Vikram Agarwal was holding 3,56,605 equity shares of the Company.

PRAKASH INDUSTRIES LIMITED**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No.6**

The core business of the Company is steel and power and this sector in the country is poised for robust growth given the thrust on infrastructure and increased activity in the power sector. The Company needs to augment its long-term resources to strengthen its financial position; to meet its growth objectives, and with a view to take advantage of favourable market conditions, the Company proposes to increase its existing capacities of steel as well as to add capacities for power which will be used both for captive purposes as well as for sale in the open market.

The Company envisages to raise the capital for above purposes by issue of one or more securities as stated in the resolution either by public issue or private placement. The object of this issue is to meet the capital expenditure requirement of these proposed expansion plans, to augment the long term working capital of the Company, acquisition of businesses and expansion of new and existing projects and other general corporate purposes.

The detailed terms and conditions for the offer will be determined in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. The pricing of the international offering(s) will be free market pricing and may be at a premium or discount to market price in accordance with international practice, subject to applicable rules, regulations etc. As the pricing of the offering will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms of the issue.

The special resolution seeks to empower the Board to issue Securities in one or more tranches at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the share capital of the Company by further issue, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said Section, unless the shareholders decide otherwise by a special resolution. Accordingly, consent of the shareholders is being sought pursuant to the aforesaid provisions and in terms of the provisions of the listing agreements executed by the Company with the Stock Exchanges and to authorize the Board of Directors to issue securities as stated in the resolution. The Board of Directors is of the opinion that such an issue of Securities of the Company is in the interest of the Company.

None of Directors of the Company is in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your approval.

Item No.7

Pursuant to Foreign Exchange Management Act, 1999 (FEMA) as amended from time to time, Foreign Institutional Investors (FIIs) are permitted to purchase/acquire shares of an Indian Company to the extent of 24% of the paid up capital of the concerned Indian Company. Under the amended provision of FEMA, a Company can increase the investment limit of FIIs in the Company up to sectoral cap applicable to the Company subject to approval of Board of Directors and approval of its shareholders by way of special resolution.

Since many FIIs have shown keen interest to invest in your Company, it is proposed to increase investment ceilings of the Company in respect of FIIs. The shareholding of FIIs in your Company as on March 31, 2009 is within the prescribed limit of 24%. However, to facilitate the Company to allow FIIs to hold further shares, it is proposed to increase the above limit up to 35% of the paid up share capital of the Company.

The Board of Directors in their meeting held on 4th July, 2009 have passed a resolution for increasing the limit for investment by FIIs in the share capital of the Company upto 35% (Thirty Five) of the paid up capital of the Company.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

Your Directors recommend the resolution for your approval.

Item No.8

Shri V. P. Agarwal born on 24th March, 1956 is an experienced Industrialist hailing from a reputed business house. He has been the Managing Director of the Company w.e.f. 31st July, 1980 and Chairman and Managing Director from 29th March, 1997 onward and is thus conversant with all the facets of the working of the Company.

The shareholders had re-appointed Shri V. P. Agarwal as Chairman and Managing Director of the Company for a period of three years from 1st April, 2008 to 31st March, 2011 at Extra-ordinary General Meeting held on 25th April, 2008.

Under the management control and guidance of Shri V.P. Agarwal, the Company has consistently made substantial growth and improved upon its performance in all fields. Considering the inflationary trend and increase in the business activities of the Company which resulted in increase in work and responsibility of Chairman and Managing Director and also the amount of remuneration being paid to the Managing Directors of similar Industries, it is deemed fit to revise the remuneration payable to Shri V.P. Agarwal, Chairman and Managing Director with effect from 1st April, 2009.

The matter has been discussed and approved by the Remuneration Committee in its meeting held on 4th July, 2009 which recommended the same for the approval of the Board.

The Board of Directors in their meeting held on 4th July, 2009 discussed, approved and recommended the remuneration as mentioned in the resolution for the approval of the members.

A copy of the resolution passed by the Board of Directors and draft agreement relating to payment of remuneration and other relevant documents are open for inspection of the members at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting and also at the meeting.

The above terms and conditions as set out in the said Resolution may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Shri V.P. Agarwal and Shri Vikram Agarwal are interested in the resolution.

Your Directors recommend the resolution for your approval.

By order of the Board
For Prakash Industries Limited

Registered Office:
15 Km. Stone,
Delhi Road,
Hissar - 125044 (Haryana)
Dated : 4th July, 2009

Manoj Agarwal
Company Secretary

PRAKASH INDUSTRIES LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the 28th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

	(Rs. in Crores)	
	For the year ended 31 st March, 2009	For the year ended 31 st March, 2008
Sales	1,709.71	1,419.53
Other Income	3.98	3.77
EBIDTA	304.31	300.29
Depreciation	42.48	47.68
Financial Expenses	60.50	41.46
Expenses Amortised	2.69	2.58
	<u>198.64</u>	<u>20.856</u>
Exceptional items	6.13	(9.40)
Profit before tax	204.77	199.16
Provision for Taxes	0.61	0.44
Profit after tax	204.16	198.72
Balance brought forward	100.44	239.24
	<u>304.60</u>	<u>437.96</u>
Transitional Provision for Employees Benefits		(0.62)
	<u>304.60</u>	<u>437.34</u>
Transfer to General Reserve	280.99	300.00
Transfer to Preference Capital redemption reserve		2.31
Transfer to Debenture redemption reserve	16.61	34.58
Carried over to next year	7.00	100.45

PERFORMANCE

During the year under review, the Company has achieved sales revenue of Rs.1710 crores as against Rs.1420 crores in the previous year thereby registering a growth of approx. 20% over the previous year. The profit before depreciation and interest amounted to Rs.304 crores as against Rs.300 crores in the previous year. After providing for interest, depreciation and tax, the net profit of the Company (after exceptional items) stands at Rs.204 crores during the year under review as against Rs.199 crores in the previous year.

OPERATIONAL REVIEW

Your Directors are pleased to inform you that the physical performance in the entire chain of the integrated steel operations of the company has been excellent during the year as the units have achieved the highest ever production levels. This substantial growth in the volumes has contributed significantly to the improved turnover for the year. In addition, this has also helped the Company to absorb the shocks of the economic slow down in the second half of the year and the Company has been able to maintain the EBITDA and the PAT levels as compared to the previous year.

The performance of the Company to a large extent is influenced by the Steel scenario in the country. During the first half of the year under review the rally in the steel market continued to exist on strong demand for steel products which enabled the Company to

register impressive margins. The rally however, could not continue and during the second half of the year the prices have undergone correction due to the Global economic meltdown. However towards the end of the third quarter there was a significant correction in the iron ore prices which together with the captive coal mining and the integrated nature of the Company's operations helped the Company to regain the eroded margins to a large extent.

Another redeeming feature in the current year has been the performance of the Wire Rod Mill which was exceedingly encouraging. The unit operated at more than its rated capacity and contributed significantly to the bottom line. The Company has taken various steps for further modernisation and balancing of the capacities of the mill which were implemented towards the end of the year. The company has also augmented its Ferro Alloys capacity by setting up another Sub-Merged Arc Furnace. To cater to the increased power requirement of the steel operations, the company during the year has successfully commissioned a new 25 MW Power Plant which is now significantly contributing to the profitability.

The integrated steel plant of the company at Champa consisting of Sponge iron, Steel melting and Power generation capacities have operated satisfactorily during the year and have catered to the entire requirements of the finished steel segment. The integrated nature of operations have continued to ensure that the company is self reliant in its entire range of production to withstand the volatility in the markets. The captive coal mining operations performed exceedingly well and achieved record production during the year. The mine has been conferred with the Safety Award by the Director General Of Mines and Safety for the second year in succession. Regarding other divisions, the Rigid PVC Pipe division outperformed during the year under review on account of firm demand throughout the year. In another development the Worsted Woolen Yarn unit of the Company was hived off during the year.

FUTURE PROSPECTS

The Company is already in the process of doubling its steel making capacities in the entire chain of Integrated Steel operations. Encouraged with the performance of the existing Wire Rod Mill the company has taken steps to further augment its capacity in this range of product. In addition one of the existing mills is being modernised to expand its product mix to enable it to manufacture TMT bars as well, which is expected to be completed by August this year. All these expansion plans are expected to increase the present volumes by more than 50% in the ensuing year and the Company is expected to maintain this growth momentum in future years also.

The efforts of the company over the past so many years to become self reliant in iron ore supplies finally bore fruit with the grant of rights over the iron ore mines in Chhattisgarh as well as in Orissa. The company is taking various steps to make these mines operational in the second half of the current financial year. This is expected to result in substantial cost savings to the company. In addition, Madanpur Coal Block allotted to the company in Jt. Venture with other companies is expected to be operational by end of the current financial year. This shall cater to the increased coal requirement of the steel & power operations of the company.

ENVIRONMENT AND SOCIAL RESPONSIBILITY

Company is a firm believer that it is inter-twined with the society and it has always been its endeavour to fulfill its Environmental & Corporate Social Responsibilities (CSR). Emphasizing on environmental friendly activities, Company has undertaken various CDM (Clean Development Mechanism) projects like installation of Waste Heat Recovery Boilers and Plantation activities in Chhattisgarh. The company has taken important steps for retrofitting of all old pollution control equipments like Bag Filters and ESP with latest technology equipments with stack outlet of less than 50 Mg/Nm3 and reducing fugitive dust inside the plant including the dust suppression system.

PRAKASH INDUSTRIES LIMITED

Environmental monitoring is being done on regular basis to ensure the environmental parameters within the prescribed norms of State Pollution Control Board. Thick plantation has been done in and around the plant and moisture of soil has been retained through Rain Water Harvesting System & Recycling of the Waste Water. Another environmental effort on the part of the Management has been to use the Fly ash in manufacturing the bricks.

The company has always taken active interest and participation in the social welfare of the community and is rendering assistance for the development of the people in the surrounding areas. The company has installed deep water tube wells in the villages, beautified public places, undertaken renovation, repairing and construction of Temples, Parks, Roads, primary schools and markets, taken up non-formal education programme in the surrounding villages and provided regular financial assistance for furniture & libraries of schools, besides contributing educational supplies, such as science apparatus, computer and sports kit. The company also organizes weekly health camps in its nearby villages for family planning, cancer detection, eye care, blood donation, etc on regular basis.

CONVERTIBLE WARRANTS

Company had issued 1,21,35,990 convertible warrants on 14th September, 2007 at a price of Rs. 68.61 per warrant and 55,55,556 convertible warrants on 27th September, 2007 at a price of Rs.80.00 per warrant on preferential basis. As per the terms of allotment the warrants were to be converted into equity shares of Rs. 10 each. The allottees did not exercise their right for conversion of the said warrants into equity shares. Accordingly, the aforesaid warrants now stand lapsed and application money forfeited.

DIRECTORS

In accordance with the provisions of section 256 of the Companies Act, 1956, Dr. S.L.Keswani, Shri. K.C.Mehra and Shri Vikram Agarwal are liable to retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment and offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii) 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;
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

AUDITORS

M/s Chaturvedi and Partners, Auditors of the Company, retire at the forth coming Annual General Meeting, and being eligible, offer themselves for reappointment. The Company has received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956. As regards Auditors' observations in their Report, the relevant notes on the accounts are self-explanatory.

PARTICULARS OF EMPLOYEES

As required by 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 set out in the annexure to the Directors' report.

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

As required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, a statement showing the information relating to the Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo is enclosed and should be treated as a part of this report.

CORPORATE GOVERNANCE

The significance of Corporate Governance has always been recognized by the Company. A separate report on Corporate Governance and Management discussion and Analyses alongwith a certificate from the Practising Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is attached and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to the various departments of Central and State Governments, Financial Institutions, Banks, Customers and Suppliers for their continued valuable assistance and support.

Your Directors also wish to place on record their sincere appreciation of the dedicated efforts by officers, staff and workers of the Company at all levels.

By Order of the Board

Place : New Delhi
Dated 28th May, 2009

V. P. Agarwal
Chairman & Managing Director

PRAKASH INDUSTRIES LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure & Developments**

Despite the global economic downturn, the Indian economy continued to remain on a strong foothold during the first half of the year and did not show any sign of weakness and the steel sector, in particular, continued to register impressive margins fuelled by strong demand. However, the steel industry could not keep itself detached from the reeling economic turmoil for long time and with the onset of the second half of the year, it suffered severe dent globally thereby breaking the long rally witnessed by the Indian steel industry. With steep decline in the demand for infrastructure, construction, housing and automobile sector during the later half of the year, from where the steel sector derives most of its demand, steel was the worst hit. The gross real demand was 18 per cent lower in the last three months of the year 2008 as compared to similar period of the corresponding year. As a result of this, the performance of most of the steel companies was severely affected during the quarter on account of demand shrinkage across the section. The expansion plans taken up by most of the steel companies worldwide were deferred in the light of the uncertain and highly volatile financial market scenario.

The only respite to the steel players in these troubled times came in the form of correction in the raw material prices, mainly iron ore, which had been witnessing uninterrupted steep escalation for the past few years. The price of iron ore, one of the basic raw material for steel, witnessed significant decline thereby giving a breather to the steel players during such hard times.

With the onset of the new calendar year, the steel industry, particularly the long product segment, is on revival mode as the demand from major sectors like infrastructure, housing and industrial construction enabled the industry to produce more. Moreover, the steel prices in China, the world's largest steel producer, moved up on increased demand, which allowed the domestic firms to maintain prices. During the month of January, 2009, the steel production surged 2.4% over the corresponding month last year and for the quarter ended March, 2009, the demand for steel has grown in the range of 7-8%, which has enabled the steel prices to remain firm. Going forward the steel industry scenario appears positive.

Opportunities and threats

The Indian Steel industry continues to have substantial growth prospect. The current per capita consumption of steel in India is about 40 Kgs which is quite insignificant in comparison to 150 Kgs across the world and 250 Kgs in China, clearly indicating a healthy future and high growth potential for the steel industry. The existing domestic steel capacity of 40 million MT is highly inadequate to meet the future growing demands to be fuelled by investments on infrastructure development in the country.

Notwithstanding the growth potential, the industry continues to face the imbalances in the availability of key raw materials. Although India ranks high in the world tally with abundant iron ore reserves of more than 13 bn tonnes, the domestic steel industry has been facing the brunt of shortages and consequent high pricing of the ore due to surmounting exports worldwide. This has adversely affected the cost of production and has been an area of high concern to the steel players. Under the existing circumstances, only the integrated players have been able to gain and the stand alone players have faced serious margin decline. Your company had timely identified these threats and had accordingly insulated itself against these by securing captive coal and iron ore mines for its steel operations.

Segment Wise / Product Wise Performance / Outlook

The company is primarily engaged in Integrated Steel & Power operations involving

production of Sponge Iron, Mild Steel Billets, Heavy & Medium Structural, Wire Rod and Ferro Alloys along with generation of power. The performance of all the divisions has been satisfactory. The Wire Rod unit set up by the company performed exceedingly well during the year and significantly contributed to the bottom line. The company's captive coal mining operations also operated at optimum capacity during the year. Apart from Steel and power, the company is also into manufacture of Rigid PVC Pipes, which also outperformed during the year.

Risks and Concerns

Every business has its inherent risks which need to be timely identified by the management to minimize any losses which may arise therefrom. The company's management is constantly on the vigil to safeguard the operations against any risk identified. The major risk being faced is the huge gap in the demand and supply of raw materials, primarily iron ore, due to which the iron ore prices have been witnessing a highly volatile trend. However, the company has been able to insulate itself against the same by procuring itself iron ore mines. The mines are expected to be operational by the end of the current financial year and subsequent to the mines becoming operational, the company's operations shall be fully integrated and the company would be totally self reliant regarding the key raw materials.

Internal Control System and their adequacy

Good corporate governance has its roots in sound internal controls and a robust risk management program. The company's system of internal controls is adequate to manage the risks to which it is exposed. The objective is not only to eliminate risk but to understand the company's significant risks, set boundaries for risk taking and apply fit-for-purpose risk responses that enable the company to achieve its corporate objective within a managed risk profile. The company's internal control systems are detective, corrective and preventive by nature.

- Detective controls are designed to detect errors or irregularities that may have occurred.
- Corrective controls are designed to correct errors or irregularities that have been detected.
- Preventive controls, on the other hand, are designed to keep errors or irregularities from occurring in the first place.

The company's internal control system provides for adequate documentation of all policies, guidelines, authorities and approval procedures relating to all vital functions. Since the presence of the internal controls by themselves do not ensure their effectiveness, the internal control systems are subject to regular review to ensure their appliance, adequacy and efficacy. Internal Audits are conducted on a quarterly basis to evaluate and to check that the controls are being adhered to and any deviation or shortcoming, if noted, is put before the Audit Sub Committee for corrective action.

Human Resources / Industrial relations

With expansion in the production capacities, the number of employees in the company has witnessed an increase during the year. The company's affairs are managed by a team of experienced core professionals and technical experts. Human Resource Development (HRD) helps the employees develop their personal and organizational skills, knowledge, and abilities by way of regular training programs and workshops. The focus of all aspects of HRD is on developing the skills and upgrading the knowledge of the workforce and promoting job satisfaction so that the company and individual employee can accomplish their work goals in service to customers. HRD constantly works to provide better working environment and facilities and amenities to the staff not only at the work place but also in the residential premises. HRD ensures compliance of all statutory laws and regulations applicable to factories/operations. The company has been able to maintain cordial management employee relationship during the year.