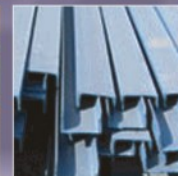


ANNUAL REPORT 2009-10



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 Vipul Agarwal | Whole - time Director |

STATUTORY AUDITORS

Chaturvedi & Partners
Chartered Accountants

BANKER

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

WORKS

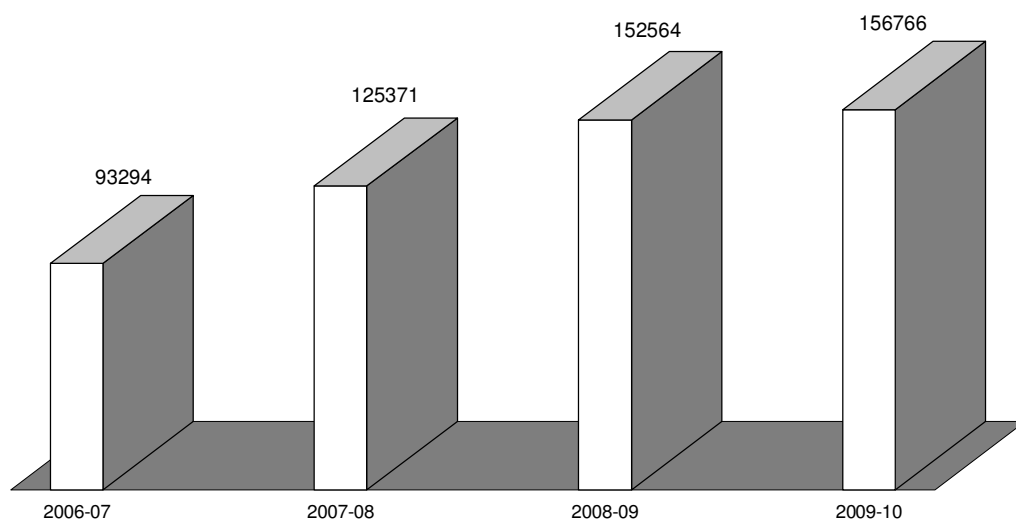
Champa (Chhattisgarh)
Chotia (Chhattisgarh)
Raipur (Chhattisgarh)
Kashipur (Uttarakhand)
Koirā, Distt. Koenjhar (Orissa)
Muppandal (Tamil Nadu)

WEBSITE

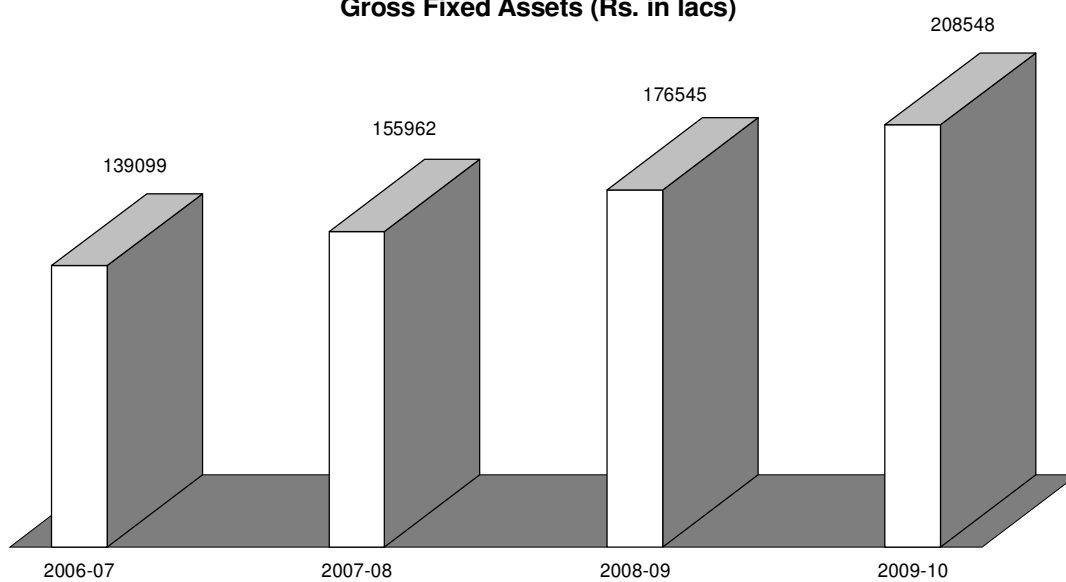
www.prakash.com

PRAKASH INDUSTRIES LIMITED

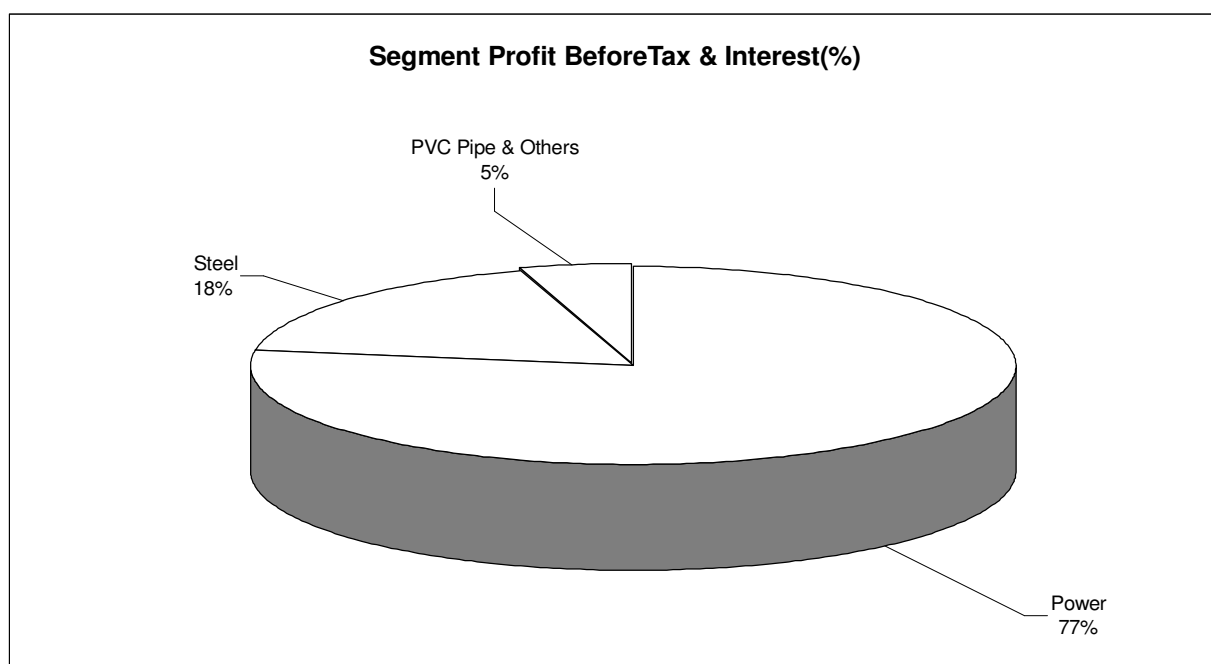
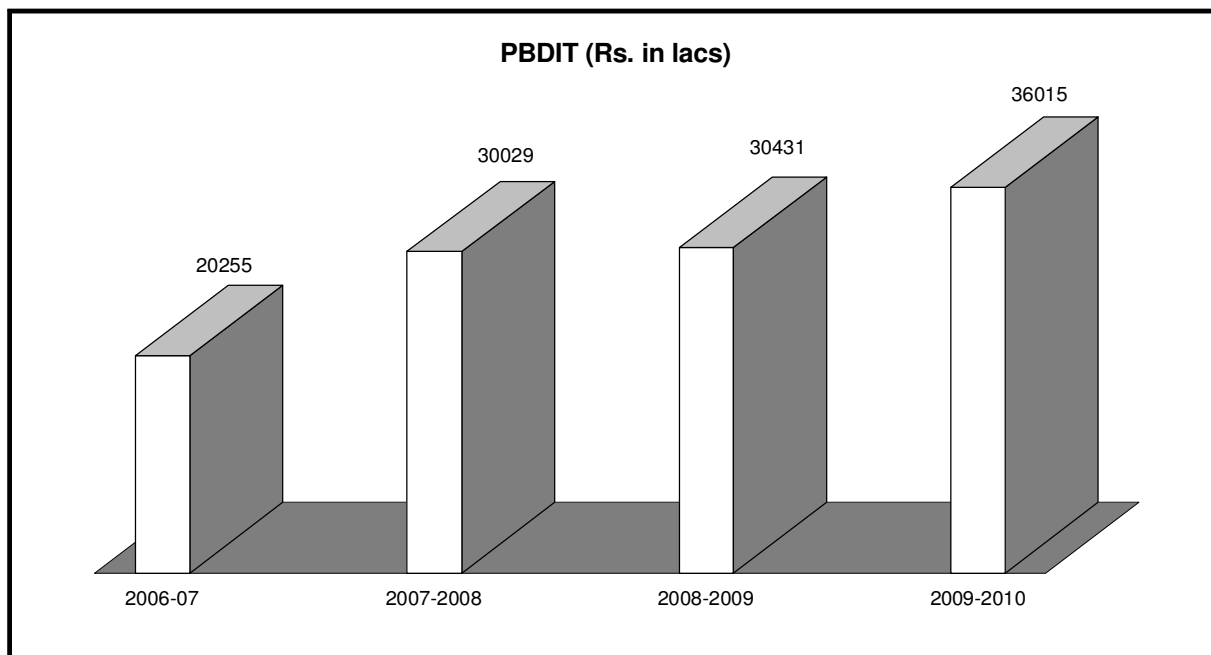
Net Sales Revenue (Rs. in lacs)



Gross Fixed Assets (Rs. in lacs)



PRAKASH INDUSTRIES LIMITED



PRAKASH INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the Members of Prakash Industries Limited will be held on Saturday, the 14th August, 2010 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, 2010 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. Ram K. Vepa, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri G.L. Mohta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vipul 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 section 13, 16 and 94 of the Companies Act, 1956 and all other applicable provisions of the said Act, existing Clause 'V' of the Memorandum of Association of the Company be altered by deletion of the existing Clause 'V' and substituting in place thereof the following New clause as Clause 'V':

V "The Authorised Share Capital of the Company is Rs. 1,70,00,00,000/- (Rupees One Hundred Seventy Crores Only) divided into 17,00,00,000 equity shares of Rs.10/- (Rupees Ten) each.

RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorized to take all necessary steps to implement this resolution."

By order of the Board
For Prakash Industries Limited

Registered Office:
15 Km. Stone,
Delhi Road,
Hissar – 125044 (Haryana)
Dated : 28th May, 2010

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/HERSELF AND SUCH 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 Reports to the meeting as spare copies will not be available.
4. Register of Members and Share Transfer Books will remain closed from 11th August, 2010 to 14th August, 2010 (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 demate form may send their shares through their respective DPs for demat.
7. Members holding shares in physical form and 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. Ram K. Vepa proposed for re-appointment as Director:**

Dr. Vepa retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Dr. Vepa has been allotted Director Identification No.00054160.

Dr. Vepa joined the Board of the Company in the year 1987.

Dr. Vepa is a retired IAS officer having worked in various capacities in the State and Central Governments. Dr. Vepa was serving as Commissioner of Industries in the Ministry of Industries, Government of India, New Delhi at the time of his retirement.

Because of his vast experience, his re-appointment would be beneficial to the Company.

Dr. Vepa is not holding Directorship in any other Company.

As on 31st March, 2010 Dr. Vepa is holding 3281 equity shares of Rs.10/- each of Prakash Industries Ltd.

PRAKASH INDUSTRIES LIMITED

b) Information regarding Shri G.L. Mohta proposed for re-appointment as Director:

Shri G. L. Mohta, Whole-time Director of the Company retires as Director by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Shri Mohta has been allotted Director Identification No.00054171.

Shri Mohta joined the Board of the Company in the year 1998.

Shri Mohta is a Chartered Accountant and has a long working experience of over 44 years. He is working as a Whole-time Director of the Company w.e.f. 2nd May, 1998 and because of his vast experience, his re-appointment would be beneficial to the Company.

Shri Mohta is not holding Directorship in any other Company.

As on 31st March, 2010 Shri Mohta is holding 400 equity shares of the Company.

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

Shri Vipul Agarwal, Whole-time Director retires as a Director by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Shri Vipul Agarwal has been allotted Director Identification No.00010147.

Shri Agarwal joined the Board of the Company in the year 2000.

Shri Agarwal is a Chartered Accountant and has a long working experience of over 28 years. He is working as a Whole-time Director of the Company w.e.f. 18th March, 2000 and because of his vast experience, his re-appointment would be beneficial to the Company.

Shri Agarwal is not holding Directorship in any other Company.

As on 31st March, 2010 Shri Agarwal is not holding any equity shares of the Company.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6

The Company has raised funds through issue of Convertible Warrants and Foreign Currency Convertible Bonds (FCCBs) which are required to be converted into equity shares of the Company. The present authorized capital of the Company comprises of both equity and preference share capital. It is proposed to amend the authorized capital clause so as to delete the preference share capital and convert the entire authorised capital to equity share capital to take care of the enhanced equity capital requirement on conversion of bonds / warrants, if any, it is therefore, necessary to amend the existing clause V of the Memorandum of Association of the Company as set out in the Resolution at Item No.6 of the Notice.

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.

By order of the Board
For Prakash Industries Limited

Registered Office:
15 Km. Stone,
Delhi Road,
Hissar – 125044 (Haryana)
Dated : 28th May, 2010

Manoj Agarwal
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 29th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

| | (Rs. in Crores) | |
|--|--|--|
| | For the year ended 31 st March, 2010 | For the year ended 31 st March, 2009 |
| Net Sales | 1,567.66 | 1,525.64 |
| Other Income | 3.04 | 3.98 |
| EBIDTA | 360.15 | 304.31 |
| Depreciation | 56.79 | 42.48 |
| Financial Expenses | 25.49 | 60.50 |
| Expenses Amortised | 2.69 | 2.69 |
| | <u>275.18</u> | <u>198.64</u> |
| Liabilities written back | 21.38 | 12.77 |
| Exceptional items | <u>(23.31)</u> | <u>6.64</u> |
| Profit before tax | 273.25 | 204.77 |
| Provision for Taxes | 7.09 | 0.61 |
| Profit after tax | <u>266.16</u> | <u>204.16</u> |
| Balance brought forward | 7.00 | 100.44 |
| | <u>273.16</u> | <u>304.60</u> |
| Transfer to General Reserve | 260.00 | 280.99 |
| Transfer to Debenture redemption reserve | - | 16.61 |
| Carried over to next year | <u>13.16</u> | <u>7.00</u> |

PERFORMANCE

During the year under review, the Company has achieved net sales revenue of Rs.1568 crores as against Rs. 1526 crores in the previous year. The profit before depreciation and interest amounted to Rs.360 crores as against Rs.304 crores in the previous year. After providing for interest, depreciation and tax, the net profit of the Company (after exceptional items) stands at Rs.266 crores during the year under review as against Rs. 204 crores in the previous year.

OPERATIONAL REVIEW

Your Directors have pleasure to inform you that during the year under review the Company has achieved substantial growth with respect to physical performance in the entire chain of its integrated steel operations thereby achieving highest ever capacity utilization levels. This has helped the Company in significantly improving its operating margins despite a drop in the average selling prices during the year.

With its core operational areas being steel, mining and power, the performance of the Company is largely affected by the demand for steel in the country. The global economic crisis which shook the world in the previous year continued to have its after effects in the first half of the current year thereby affecting the demand and margins. However, in the second half of the year under review, the steel prices witnessed upturn, fuelled by revival of demand from higher spending on infrastructure and construction activities which enabled the Company to more than regain the margins which were eroded earlier.

During the year, the Wire Rod Division continued to be the star performer with its exceedingly encouraging performance. The Company successfully implemented its

plan of more than doubling the capacity in the division by adding additional capacity and also balancing the existing one.

The performance of the integrated steel plant of the Company at Champa with capacities for Sponge Iron, Steel Melting, Ferro Alloys and Power Generation has also been satisfactory. During the year, the company has taken a step forward in its objective to achieve complete integration in its entire product range in its steel operations by enhancing capacity in sponge iron division and also expanding its Steel Melting Capacity which has resulted in significant savings in the raw material costs and has also enhanced the self reliance quotient of the Company. The captive Coal Mining Operations performed exceedingly well during the year and the Company has been awarded "Coal India Project Implementation Trophy" by the Mining Geological and Metallurgical Institute of India. This is for the first time that any Company in private sector has been awarded this Trophy. The Rigid PVC Pipe Division continued with improved performance throughout the year on account of firm demand.

FUTURE PROSPECTS

The Company has already initiated its plan to achieve full integration at all intermediary-product levels throughout its chain of steel operations to cater to the entire requirement of its finished steel segment. This plan is expected to be completed in the next two years.

Further, the Company is making its foray into the power sector in a big way by taking up an ambitious plan to set up 625 MW captive thermal power plant at its existing plant site at Champa. The first phase is expected to be commissioned in the current year and thereafter subsequent phases shall come up in a phased manner in the next three years. The Company is poised to be a major player in the merchant power business in the coming years.

The Company has always felt the need to be self reliant in iron ore supplies. In this direction, with its continuous efforts, it is expected that the Company's iron ore mines both in Chhattisgarh and Orissa will be operational in the current year which shall give a substantial boost to the Company's bottom line.

ENVIRONMENT AND SOCIAL RESPONSIBILITY

Company believes that an essential component of our corporate social responsibility is to care the community. The Company endeavors to make a positive contribution to the community by supporting a wide range of socio-economic, educational and health initiatives in the surrounding areas by undertaking free medical camps, non formal education programs, maintaining parks, temples, providing regular assistance to primary schools in the form of educational supplies such as computers, sports kits, laboratory apparatus and libraries.

The Company clearly understands its commitment to run an environment friendly and energy efficient business and evolve itself into an environment friendly organization. Recognizing its responsibility towards minimizing its impact on the environment, the Company has extended green activities to support environmentally conscious activities by reducing wastes, emissions and recycling. The Company has undertaken various CDM (Clean Development Mechanism) projects like installation of waste heat recovery boilers and plantation activities. Environmental monitoring is being done on a regular basis to ensure that the environmental parameters are within the prescribed norms of the State Pollution Control Board.

SHARE CAPITAL

During the year, the Company has issued 62,19,800 equity shares of Rs 10 each at a premium of Rs 160 each pursuant to conversion of Foreign Currency Convertible Bonds.

PRAKASH INDUSTRIES LIMITED

CONVERTIBLE WARRANTS

During the year, the Company has issued 1,00,00,000 warrants on preferential basis convertible into equity shares of Rs. 10 each at a premium of Rs. 71 per share on or before 3rd January, 2011.

FOREIGN CURRENCY CONVERTIBLE BONDS

The Company has issued Foreign Currency Convertible Bonds (FCCBs) in two tranches for an amount of Rs. 500 crores. The FCCBs issued in the first tranche in October, 2009 are convertible into equity shares of Rs. 10 each at a premium of Rs. 160 per share and the FCCBs issued in the second tranche in April 2010 are convertible into equity shares of Rs. 10 each at a premium of Rs. 225 per share.

DIRECTORS

In accordance with the provisions of section 256 of the Companies Act, 1956, Dr. Ram K. Vepa, Shri G.L. Mohta and Shri Vipul 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.

DIVIDEND

After careful assessment of the funds required by the Company, your Directors have not recommended any dividend for the Financial Year ended 31st March, 2010.

FIXED DEPOSITS

Company has not accepted any deposits during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in the preparation of the annual accounts for the financial year ended 31st March, 2010 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, 2010 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, 2010

V. P. Agarwal
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Developments

Despite volatility in steel prices throughout the year 2010, the steel industry succeeded to sustain its positive growth momentum on strong fundamentals of domestic demand from construction, automobile and infrastructure sectors with the setting up of a stable government at the centre. The Indian Steel production rose by 4.2% to reach 60 Mn MT in the year 2010 and India emerged as the fifth largest producer of steel in the world. On the consumption front, India's steel consumption rose 8 per cent in the year 2010. The Indian Steel industry is getting all essential ingredients required for dynamic growth. The government is backing the industry through favorable industrial reforms, while the private sector is supporting it with large investments. Going forward, the growth potential for steel industry is huge and industry estimates indicate that the industry will continue to grow reasonably in the coming years with huge demands for steel not only in the infrastructure, airport and metro constructions, automobile, consumer durables and projects but also on account of rapid pace of urbanization, which has emerged as the biggest growth driver for steel in most of the growing economies globally.

Opportunities and Threats

Indian Steel Industry, which has emerged as the 5th largest steel producer in the world, accounts for only 5% of the global steel consumption. The steel consumption in India is expected to grow significantly in the coming years since per capita finished steel consumption is far less from that of its regional counterparts. It is noteworthy that per capita steel consumption in India is still around 40 Kg as compared to 100 Kg in Brazil, 250 Kg in China and a world average of 198 Kg. Thus, the country has huge scope for increasing its steel consumption and it is expected that the consumption shall continue to grow fuelled by demand for mega construction projects, infrastructure investments, housing, automotive, consumer durables, etc. The government is also lending its full support to the steel sector. This is clear from the recently presented 2010 budget, in which the government has decided to increase the outlay on urban development and housing and additional outlay for rural infrastructure has also been announced which is being seen as a major booster for domestic steel companies. Further, continuing liberalization of various sectors including roads, power as well as possible entry of private players in nuclear power and water will also spur the steel demand.

Despite the strong growth potential for the steel industry, the imbalances and uncertainties in availabilities of the key raw materials like iron ore continue to remain in the backdrop. Although India is endowed with rich and abundant iron ore reserves of approx. 13 billion tonnes, its high volume exports to China and other countries, which has earned it third position in the tally of global exporters of iron ore, have aggravated the situation for the domestic steel manufacturers, which have been constantly feeling the brunt of short supplies and spiraling ore prices. Your Company's farsighted approach had timely identified this issue and accordingly secured itself against the market vagaries of iron ore and coal by securing captive coal and iron ore mines.

Segment Wise / Product Wise Performance / Outlook

The performance of the Integrated Steel & Power operations of the Company comprising production of Sponge Iron, Mild Steel, Wire Rod, TMT Bars, Structural, Ferro Alloys, Power Generation and Coal Mining has been satisfactory during the year. Wire Rod Division, which had witnessed capacity expansion of more than double, continued to

be the star performer on account of robust market demand, thereby contributing significantly to the bottom line. TMT Bar, a new addition to the Company's product line also got good market response and acceptability. Apart from Steel, Power and Mining, the Company is also engaged in manufacture of Rigid PVC Pipes, which also continued to outperform on account of sustained demand.

Risks and Concerns

The Company's management strongly feels that timely identification of the probable risks is the key to minimizing the losses that may arise therefrom. As such, the Company's management, as a routine exercise, has been making the assessment of the risks and concerns that may be faced by the Company. The management apprehends that since the steel industry is cyclic in nature, there may be a downturn in the industry which may affect the performance of the Company. However in view of the positive growth forecasts and bearing in mind the integrated operations of the Company and its foray into the power sector in a big way, no potential risk is envisaged.

Another area of concern is the inadequate supply of the basic key input i.e. iron ore, due to which the iron ore prices have been witnessing high level volatility resulting in unstable steel margins. However, the timely efforts of the management to secure captive iron ore mines have taken care of this unease. The mines are likely to be operational in the current financial year, subsequent to which the company's operations shall become optimally integrated.

Internal Control System and their Adequacy

Internal Control is a system aimed at providing reasonable assurance that the financial information is reliable, legal regulations and internal rules are respected, the company's main processes operate efficiently and the company's objectives are achieved. The Company has adequate system of internal controls and checks and balances to ensure that its assets are safeguarded and protected against loss from unauthorized use and adequate documentation of all policies, guidelines, authorities and approval procedures relating to vital functions. Necessary quality control systems and procedures have been established to ensure that the Company's control systems are adequately followed and all statutory requirements are complied with. The strength of these systems is continuously being monitored by the internal auditors and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the statutory auditors and the auditors have not given any adverse comments on the adequacy of internal control system.

Human Resources / Industrial Relations

Your Company has never undermined the importance of the human resources and has always considered them as an important valuable asset for the organisation. With this view, it is constantly striving to attract, recruit and retain the best talents available to meet the current and future needs. The Company has taken necessary steps to upgrade the skills of present employees by conducting various in-house training programs and courses for updating the manufacturing techniques and processes. Further, safety of the employees has also been an area of great concern to the Company for which regular safety training programs and mock drills are conducted. During the year under review the employee / industrial relations at all units remained cordial and the moral of the employees remained high.