

**33rd
ANNUAL-REPORT
2003-2004**

Rathi Udyog Ltd.



AN ISO 9002 & 14001 COMPANY

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BOARD OF DIRECTORS :

Sh. P.C. Rath
Sh. Pradeep Rath – Managing Director
Sh. S.K. Daga
Sh. Prem Narayan Varshney
Sh. Dwarka Das Lakhotia

SECRETARY :

Sh. B. R. Tapariya

AUDITORS :

K. G. Somani & Company
3/15, Asaf Ali Road
New Delhi – 110 002

LEGAL ADVISOR :

Shiv Khorana, Advocate
2289, Arya Samaj Road
New Delhi – 110 005

BANKER :

Bank of Baroda

REGISTERED OFFICE :

1/3, Khirki Village,
Malviya Nagar
New Delhi - 110 01 7
Phones : 011-29541733
29542734

WORKS :

Industrial Area No. 1
South of G.T. Road
Ghaziabad - 201009
Uttar Pradesh

**REGISTRAR & SHARE
TRANSFER AGENT :**

MAS Services Pvt. Ltd.
AB-4, Safdarjung Enclave
New Delhi - 110 029
Phone : (011) 26104142

NOTICE

Notice is hereby given that the 33rd Annual General Meeting of the members of Rathi Udyog Limited will be held on Thursday, the 30th September, 2004 at 10.00 A.M. at No. 5, Anand Gram, Near Village Ghitorni, Gurgaon Mehrauli Road, P.O. Arjungarh, New Delhi-110047 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 alongwith Profit & Loss Account for the year ended on 31st March, 2004 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Shri. S.K.Daga, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as Ordinary Resolution:

" RESOLVED THAT in accordance with the provisions of the Section 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act , 1956, approval be and is hereby accorded to the appointment of Mr. Pradeep Rathi, as Managing Director w.e.f. 1st August, 2004 for a period of 5 years on the terms and conditions as set out hereafter with liberty to the Board of Directors to alter or vary from time to time, such terms including increase in the remuneration payable as may be considered expedient and agreed by Mr. Pradeep Rathi within the limitation contained in Schedule- XIII of the Companies Act, 1956-

- a) Salay – Rs. 50,000/- Per Month.
 - b) Housing – No
 - c) Medical Reimbursement- All Expenses incurred for the appointee and his family as per the Rules of the Company.
 - d) Leave , travel Concession – For the appointee and his family once in a year in accordance with the Rules of the Company.
 - e) Club Fee – Fee of club subject to a maximum of two clubs. This will not include admission and life membership.
 - f) Personal Accident Insurance-Shall be paid as per the rules of the Company.
 - g) Company's contribution towards provident fund, superannuation Fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent to these either singly or put together are not taxable under the Income Tax Act-1961.
 - h) Gratuity As per rules of the Company.
 - i) Car and Telephone – Provision of car with driver and telephone at residence will not be considered as perquisites. However, all long distance personal calls shall be billed by the company.
6. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as Special Resolution :
"RESOLVED THAT pursuant to Section 314 of the Companies Act and other applicable provisions, approval of the shareholders be and is hereby accorded for the expenses incurred / to be incurred on travelling, lodging, boarding and fees etc. by Mr. Shrivardhan Rathi, deputed for higher studies / training abroad for two years.

Place : New Delhi

Dated: 25th Aug,2004

By Order of the Board

B.R. Tapariya
Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Explanatory statement as required under Section 173(2) of the companies act, 1956, in respect of the special business as aforesaid is annexed to the notice.
3. Members are requested to notify immediately change of address, if any, to the Company's Registered Office.
4. The Register of Members of the Company will remain closed from 28th Sept, 2004 To 30th Sept, 2004 (both days inclusive).
5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. Members desiring any information about the accounts, are requested to write to the Company at least 15 days in advance so as to enable the Company to keep the information ready.
7. Shareholders who are still holding physical share certificates are advised to dematerialize their shareholding to avail benefits of dematerialisation which includes easy liquidity since trading is permitted in dematerialized form, electronic transfer, saving in stamp duty and prevention of forgery.
8. Members can avail of the nomination facility by filing form 2B as prescribed under Companies (Central Govt.), General Rules and forms, 1956 with the Company. Blank forms will be supplied on request.
9. Dividend on shares, as recommended by directors, if declared at the meeting will be payable to those members whose names appear on the Register of Members of the Company as on 30/09/2004 and the statement of beneficial ownership (in the case of demat shareholders) furnished by National Securities Depository Limited (NSDL) and Central Depository Services (CDSL) for the purpose of Dividend Payment.
10. At the ensuing Annual General Meeting, Shri S.K.

DAGA, Director of the Company, retire by rotation and being eligible offer himself for reappointment.

11. Members who hold shares in physical form are requested to notify promptly any change in their address to the Company's registered office or to the share transfer agent M/s. MAS Services Pvt. Ltd., AB – 4, Safdarjung Enclave, New Delhi – 110 029. Members who hold shares in demat form are requested to update their particulars with their respective depositories.

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

ITEM NO. 5

The Board of Director in their meeting held on 31st July, 2004 have considered and approved the appointment of Mr. Pradeep Rathi as Managing Director of the company for a period of 5 year w.e.f. 1st August, 2004, Keeping in view the long experience in this industry and Managerial Competance of Mr. Pradeep Rathi, the Board of Director recommend the Resolution for the approval of the Members.

None of the Directors, except Mr. P.C. Rathi, father of Mr. Pradeep Rathi and Mr. Pradeep Rathi himself are concerned or interested in this Resolution..

ITEM NO. 6

The Board of Directors have approved the deputation of Mr. Shrivardhan Rathi, for higher Studies/ Training abroad for two years and as such the Board accorded it approval for expenditure which he may be incurring on travelling, lodging, boarding fees etc. The said proposal would need the approval of the Members as well as Central Government U/s 314 of the Companies Act, 1956 and other applicable provisions of the Law as Mr. Shrivardhan Rathi is relative of Mr. P.C. Rathi and Mr. Pradeep Rathi directors of the company. To this extent both of them deem interested in the said proposal. Except the aforesaid directors, no other director is concerned or interested in this resolution.

The Board of Directors commend the resolution for your approval.

By order of the Board

Dated : 25th August, 2004

B.R. TAPARIYA
Secretary

Regd. Office :
1/3, Khirki Village, Malviya Nagar
New Delhi – 110 017

DIRECTORS' REPORT

DEAR MEMBERS,

Your directors are pleased to present the 33rd Annual Report together with audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended 31st March, 2004.

FINANCIAL RESULTS

Particulars	Year ended 31st March, 2004 (Rs. in Lakhs)	Year ended 31st March, 2003 (Rs. in Lakhs)
Profit before depreciation	337.69	259.76
Add: Excess provision for Dividend & Tax written back	1.27	..
Depreciation	128.92	123.45
Provision for tax	45.00	25.23
Net profit after tax	165.04	111.08
Provision for deferred tax	8.46	18.86
Net profit after tax and deferred tax	156.58	92.22

DIVIDEND

After considering the profits, future plans for expansion and the need to conserve resources, your directors are pleased to recommend a dividend @ 10% on equity shares as also @ 10% paid in the previous year.

PERFORMANCE REVIEW

The Company has achieved a net profit after tax Rs.165.04 lakhs, as against Rs.111.08 lakhs in previous year, thus registering an impressive growth. This has been possible due to various steps taken in the past to improve profit margin through change in product mix.

AMOUNT TRANSFER IN GENERAL RESERVE

A sum of Rs. 27.26 lakhs has been transferred to General Reserve.

DIVERSIFICATION AND MODERNIZATION

You may recall from the previous Report regarding the TMT manufacturing project. The project is functioning well and the demand of TMT is encouraging. A modernization programme is also under progress under which we are putting up NO-TWIST BLOCK MILL, specially for producing Wire Rod of thinner sections. This project, however, got delayed due to delay in supply of major machinery by the suppliers.

PUBLIC DEPOSITS

The Company has not accepted / invited any public deposit during the year. So There is no overdue/unclaimed deposit.

INVESTOR SERVICES

Your directors are pleased to inform you that your Company has taken various measures to improve the quality of investor services during the year.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri S.K. Daga is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his appointment.

AUDITORS

M/s K.G. Somani & Company, Chartered Accountants, New Delhi who are Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The Notes on Accounts referred to and the Auditors' Report except Point 'A-4' of the said Report in respect of Accounting Standards, are self-explanatory and, therefore, do not call for any comments.

PARTICULARS OF EMPLOYEES

During the year under review or part thereof, there was no employee whose particulars are covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ADDITIONAL INFORMATION REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure and forms an integral part of this Report.

FORFEITURE AND RE-ISSUE OF SHARES

Your directors have forfeited 79749 equity share in the meeting of Board of Directors held on 27th March, 2004 after giving due notice to the members whose shares remain unpaid at the date.

Further, Shares, so forfeited have been re-issued at par to applicants who have applied for purchasing of these share as on 27th March, 2004.

DIRECTORS RESPONSIBILITY STATEMENT

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

- That in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable Accounting Standards except AS-17 and AS-22 and deferred tax liability for the year earlier than 2000-01 had been followed.

- b) That directors had 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 financial year and of the profit or loss of the Company for the year under review.
- c) That the directors had 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.
- d) That the directors had prepared the accounts for the financial year ended 31st March, 2004 on a "going concern" basis.

LISTING

The equity shares of the Company are presently listed on the Delhi Stock Exchange Association Limited and the Stock Exchange, Mumbai. The Company has duly paid the listing fees to both the aforesaid Stock Exchanges for the financial year 2003-04.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with Stock Exchanges, a Management Discussion and Analysis and report on Corporate Governance are annexed herewith and form a part of this Report.

ISO CERTIFICATION

Your company has been certified as ISO 9001-2000 by Indian Register Quality System, accredited by RvC, the Dutch Council for Accreditation for its QUALITY MANAGEMENT SYSTEM.

HUMAN RESOURCES

Your Company enjoys cordial relations with its employees. The Board wishes to place on record its appreciation of the contribution made by all the employees in ensuring high levels of performance and growth during the year.

ACKNOWLEDGEMENT

The Board is grateful for the cooperation received from Bank of Baroda, Central/State Government authorities, shareholders, business associates and the valued customers of the Company, for their continuous support given to the Company and their confidence in the management.

For and on behalf of the Board

P.C. Rathi Pradeep Rathi
Director Managing Director

New Delhi
25th August, 2004

ANNEXURE TO DIRECTOR'S REPORT :

INFORMATION UNDER SECTION 217(I)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988.

A. CONSERVATION OF ENERGY:

- (a) Energy conservation measures.
- (b) No further advancement in the technology has taken place so far.

B. POWER AND FUEL CONSUMPTION

	This Year	Prev. Year
1. Electricity		
a) Purchased units (KWH)	13823937	11972918
Total amount (Rs.)	68910654	46484131
Rate/unit (Rs.)	4.98	3.88
b) Own generation:		
i) Through diesel generator unit (KWH) unit per litre of Diesel oil cost/units Rs.	NIL	NIL
ii) Through steam turbine generator unit per litre of fuel/oil/cost/unit	NIL	NIL
2. Coal	No coal is used.	
3. Natural Gas/RFO/FO/LDO		
Quantity (SCM/Ltr.)	6596399	5693653
Total amount (Rs.)	78036557	64115027
Average rate of natural gas (Rs/SCM)	8.68	4.57
Average Rate of F.O. (Rs./Ltr)	11.91	11.26
C. CONSUMPTION PER UNIT OF PRODUCTION:		
Production - Steel Bars (MT)	67861	53780
Electricity (KWH)	204	223
Coal Steam 'B' Grade	NIL	NIL
Natural Gas(SCM)		
RFO/FO/LDO(Ltr)	97	106
Fuel & Oil (Rs./ton)	1150	1192

D. TECHNOLOGY ABSORPTION:

1. Efforts made in technology absorption: No new technology has come up. However, we make all efforts to upgrade the technology as and where required.

Research and Development - No research is required.

2. Expenditure on R&D - NIL NIL
3. Information relating to imported technology - N.A.

E. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earning (Rs.)	3879115	NIL
Outgo (Rs.)	4989392	2542762

REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy on code of Corporate Governance

Your Company believes that good Corporate Governance strengthens the investors trust and ensures a long term partnership that helps in company's objectives. The company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The philosophy is manifested in its operations through exemplary standards of ethical behaviour, both within the organization as well as in external relationships.

2. Board of Directors

a) Composition and Category of directors

Presently the Board of Directors of your company comprises of five directors of which two are Executive Directors and the rest are independent and non-executive directors. Thus the requirement of listing agreement are duly complied with. As on 31.03.2004, the composition of the Board of Directors was as under:

Sl. No. of Director(s)	Name of Directors	Category of Directors	No. of Directorship in other Companies	No. of Committee Membership in other Companies
1.	Sh. P.C. Rath	Executive Director	03	NIL
2.	Sh. Pradeep Rath	Managing Director	03	NIL
3.	Sh. S.K. Daga	Non-Executive Independent Director	02	NIL
4.	Sh. Prem Narayan Varshney	Non-Executive Independent Director	NIL	NIL
5.	Sh. Dwarka Das Lakhota	Non-Executive Independent Director	NIL	NIL

Director retiring by rotation and being eligible have offered himself for reappointment.

Mr. S. K. Daga aged about 45 years is an Industrialist having 20 years Industrial experience.

b) Meetings & Attendance

During the financial year 2003-04, eight Board Meetings were held. The dates on which the said meetings were held are as follows :

30/04/2003, 30/06/2003, 31/07/2003, 16/08/2003, 30/09/2003, 31/10/2003, 31/01/2004, 27/03/2004

The Annual General Meeting was held on 30/09/2003. The attendance of the directors in the meetings was as under :

Sl. No.	Name of the Director	Attendance At Board Meeting	Attendance At AGM ON 30/9/2003
1.	Sh. P.C. Rath	8	No
2.	Sh. Pradeep Rath	8	Yes
3.	Sh. R. K. Daga (Resigned on 16.8.2003)	3	No
4.	Sh. Prem Narayan Varshney	8	Yes
5.	Sh. S. K. Daga	8	No
6.	Sh. Dwarka Das Lakhota	8	Yes

3. Audit Committee

(i) The Board of Directors had constituted the audit committee on 10/03/2003. As per the requirement of section 292 A of the Companies Act, 1956 and clause 49 of the listing agreement with the Stock Exchanges. In the present composition of audit committee, there are three independent non – executive directors.

Members of audit committee

(a) Sh. S.K. Daga, (b) Sh. Dwarka Das Lakhota and (c) Sh. Prem Narayan Varshney

(ii) No. of meetings held during the financial year 2003 – 04 : Five

(iii) Brief description of terms of reference

The terms of reference to the audit committee are as per guidelines given in code of Corporate Governance of clause 49 of the Listing Agreement.

4. Remuneration Committee

(i) Your company has constituted a remuneration committee of the Board on 10/03/2003. The committee comprises of two Non – Executive Directors and one Executive Director. The Chairman is elected amongst the members of the committee. Members of remuneration committee are Sh. Pradeep Rath, Sh. S.K. Daga, Sh. Prem Narayan Varshney.

(ii) No. of meetings held during the financial year 2003 – 04 : One

(iii) Brief description of terms of reference

The terms of reference of the remuneration committee are as per Clause 49 of the Listing Agreement.

(iv) The remuneration committee has power to determine the company's policy on specific remuneration packages for Executive Directors including Pension rights and any compensation payment and such other terms of reference as may be assigned to it by the Board of Directors from time to time.

- (v) Details of remuneration to directors during the year 2003 – 04

	(Amount in Rs.)
Sh. P.C. Rathi	6,00,000.00
Sh. Pradeep Rathi	6,00,000.00
Sh. Prem Narayan Varshney	1,04,110.00

5. Shareholders Committee

The company has constituted a shareholders committee with Sh. Pradeep Rathi, Managing Director and two non – executive directors viz. Sh.S.K. Daga and Sh. Dwaraka Das Lakhotia as its members. The committee meets to approve inter-alia transfer / transmission of shares, issue of duplicate share certificates and review the status of the shares demated / remated and investors grievance and redressal mechanism and recommend measures for improvement of investors services. Details of share transferred / transmitted and duplicate share certificates issued with the approval of the committee are placed before the board from time to time. During the year ended 31st March, 2004 there were no complaints / queries pending for reply. Further, there were no share transfers pending for registration for more than 30 days. Mr. Mahesh Pareek, Manager (Secretarial) has been designated as the Compliance Officer.

6. General Body Meetings

No. of AGM	Year Ended	Venue	Date & Time
30 th	31/03/2001	No.-5, Anand Gram, Near Village Ghitoni Gurgaon, Mehrauli Road, Post Arjun Garh, New Delhi-110047..	28/09/2001 at 10.00 A.M.
31 st	31/03/2002	-do-	28/09/2002 at 10.00 A.M.
32 nd	31/03/2003	-do-	30/09/2003 at 10.00 A.M.

7. Disclosures

There are no materially significant transactions with related parties viz. promoters, directors or their relatives conflicting with the company's interest. However, details of transactions with related parties is disclosed in the financial accounts. No penalties or strictures have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.

8. Means of Communication

Quarterly and half yearly results are communicated to stock exchanges, where the company's shares are listed, immediately after the same are taken on record / approved by the Board. Further the said results are

also published in newspapers like Pioneer and Rashtra Ka Vidhan.

Management discussions and analysis forms part of this report.

9. General shareholders information

(i) Annual General Meeting

The next Annual General Meeting is scheduled to be held at No.- 5, Anand Gram, Near Village Ghitoni, Gurgaon Mehrauli Road, PO Arjungarh, New Delhi on Thursday the 30th September, 2004 at 10.00 A.M.

(ii) Financial Calender for 2004 – 2005.

First Quarterly results - before end of July, 2004.
Second Quarterly results- before end of Oct, 2004.
Third Quarterly results - before end of Jan, 2005.
Fourth Quarterly results - before end of April, 2005.

(iii) Book Closure Date

Dates of Book Closure from 28th September, 2004 to 30th September, 2004 (both days inclusive)

(iv) Dividend – Board of directors has recommended dividend @ 10% of equity share capital of the company. Dividend payment date- On or after 30th September, 2004 but before 30th October, 2004

(v) Listing on Stock Exchanges :

1. The Delhi Stock Exchange Assn. Limited, DSE House, 3/1, Asaf Ali Road New Delhi – 110 002
 2. The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001
- (vi) Company Stock Code :
The Delhi Stock Exchange **118007**
Association Ltd
The Stock Exchange, Mumbai **504903**

(vii) Market Price Data for the year 2003 – 04

Month & Year	High / Rs.	Low / Rs.	Volume
	(At the Stock Exchange, Mumbai)		Nos
April, 2003	4.90	2.95	08
May, 2003	5.25	3.25	18
June, 2003	8.00	5.61	168
July, 2003	10.80	7.20	307
Aug, 2003	18.81	8.60	827
Sept, 2003	15.50	10.50	197
Oct, 2003	11.66	7.76	115
Nov, 2003	10.80	7.48	154
Dec, 2003	15.49	8.81	358
Jan, 2004	15.80	9.75	254
Feb, 2004	14.60	8.70	2340
March, 2004	12.40	7.05	124