

**36TH  
ANNUAL - REPORT  
2006 - 2007**

# **Rathi Udyog Ltd.**



**AN ISO 9001 COMPANY**

**BOARD OF DIRECTORS**

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

**CFO &COMPANY SECRETARY**

Sh. Ashok K. Agarwal

**AUDITORS**

M/s M.Lal & Co.  
III-A,49 Nehru Nagar  
Ghaziabad (U.P.)  
Pin- 201001

**LEGAL ADVISOR**

Sh. Shiv Khorana, Advocate  
F-7,IIInd Floor, Lajpat Nagar-III  
New Delhi-110024

**BANKERS**

Bank of Baroda  
Canara Bank  
Syndicate Bank  
State Bank of India

**REGISTERED OFFICE**

24/1A Mohan Cooperative Industrial Estate  
Mathura Road,  
New Delhi-110044  
Phone: 011-32461949, 26991060  
Fax: 011-26991063

**CORPORATE OFFICE**

Industrial Area No.1  
A-3, South of G.T. Road  
Ghaziabad (U.P.)  
Pin- 201009  
Phones: 0120-2840346 To 50  
Fax: 0120-2840352-353

**WORKS :  
Unit - 1**

Industrial Area No.1  
A-3, South of G.T. Road  
Ghaziabad (U.P.)  
Pin- 201009  
Phones: 0120-2840346 To 50  
Fax: 0120-2840352-353

**Unit -2**

Vill. Potapali , Sikirdi, PS - Burla  
Distt. Sambalpur (Orissa) 768006  
Phones : 0663-2541170, 2230495

**REGISTRAR & SHARE  
TRANSFER AGENT:**

Intime Spectrum Registry Ltd.  
A-31,3<sup>rd</sup> Floor,  
Naraina Industrial Area,Phase-1  
Near PVR Cinema, New Delhi-110028  
Phone: 011-41410592  
Fax: 011-41410591

**NOTICE**

Notice is hereby given that the 36<sup>th</sup> Annual General Meeting of the members of Rathu Udyog Limited will be held on Saturday 29<sup>th</sup> September 2007 at 10.00 a.m. at The Little Theatre Group, Copernicus Marg, Next to the Kamani Auditorium, New Delhi- 110001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2007, Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.

"RESOLVED THAT the Company's audited Balance Sheet as at March 31<sup>st</sup>, 2007, the audited Profit and Loss Account and the audited Cash Flow Statement for the financial year ended on that date together with Directors' and Auditors' Report thereon be and are hereby approved and adopted."

2. To declare dividend on equity shares.
3. To consider and if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION.

"RESOLVED THAT Shri P.C. Rathu, who retires from the office of Director by rotation in this Annual General Meeting be and is hereby re-appointed as a Director of the Company, whose office shall be liable for retirement by rotation."

4. To consider and if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION.

"RESOLVED THAT Shri S.K. Daga, who retires from the office of Director by rotation in this Annual General Meeting be and is hereby re-appointed as a Director of the Company, whose office shall be liable for retirement by rotation."

5. To consider and if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION.

"RESOLVED THAT M/s M. Lal. & Company, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors."

**SPECIAL BUSINESS:**

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 1,50,000/- per month, perquisites and allowances for himself and his family like use of car with driver,

telephone at residence, reimbursement of medical including hospitalization expenses for self and family to Sh. Pradeep Rathu, Managing Director w.e.f. 1<sup>st</sup> April, 2007 with liberty to the Board of Directors to alter or vary from time to time, such terms including increase in the remuneration, perquisites and allowances payable as may be considered expedient and agreed by Shri Pradeep Rathu within the limitation contained in Schedule XIII of the Companies Act, 1956

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 1,50,000/- per month, perquisites and allowances for himself and his family like use of car with driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family to Sh. P.C. Rathu, Director w.e.f. 1<sup>st</sup> April, 2007 with liberty to the Board of Directors to alter or vary from time to time, such terms including increase in the remuneration, perquisites and allowances payable as may be considered expedient and agreed by Shri P.C. Rathu within the limitation contained in Schedule XIII of the Companies Act, 1956."

8. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the company be and is hereby accorded to the appointment of Shri P.C. Rathu as whole time director for a period of five years with effect from 01.10.2007 on a monthly salary of Rs. 1,50,000/- perquisites and allowances for himself and his family like use of car with driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family.

RESOLVED FURTHER THAT Board of Directors of the company be and hereby authorized to alter or vary from time to time, such terms including increase in the remuneration, perquisite and allowances payable as may be considered expedient and agreed by Shri P.C. Rathu within the limitation contained in Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board is authorized to take such steps as may be necessary, proper on expedient to give effect to this Resolution."

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

"RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956, and pursuant to the Directors Relative (office or place of profit) Rules, 2003 or any

amendment or substitution thereof, and subject to any other approval required, if any, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 75,000/- per month and perquisites & allowances as per Company's rules to Shri Saurabh Rathi, Chief Executive of the Company, being the relative of directors w.e.f 1<sup>st</sup> April,2007 with liberty to Board of Directors to alter or vary from time to time such terms including increase in the remuneration, perquisites and allowances."

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

"RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956, and pursuant to the Directors Relative (office or place of profit) Rules,2003 or any amendment or substitution thereof, and subject to any other approval required, if any, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 75,000/- per month and perquisites & allowances as per Company's rules to Shri Udit Rathi, Chief Executive of the Company, being the relative of directors w.e.f 1<sup>st</sup> April,2007 with liberty to Board of Directors to alter or vary from time to time such terms including increase in the remuneration, perquisites and allowances."

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

"RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956, and pursuant to the Directors Relative (office or place of profit) Rules,2003 or any amendment or substitution thereof, and subject to any other approval required, if any, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 60,000/- per month and perquisites & allowances as per Company's rules to Shri Shrivardhan Rathi, Commercial Executive of the Company, being the relative of directors w.e.f 1<sup>st</sup> April,2007 with liberty to Board of Directors to alter or vary from time to time such terms including increase in the remuneration, perquisites and allowances."

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

"RESOLVED THAT pursuant to the provisions of the Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, the name of the Company be changed from " RATHI UDYOG LIMITED" to "RATHI STEEL AND POWER LIMITED" and the Board of Directors be and is hereby authorized to take necessary steps for effecting change in the name of the Company."

13. To consider, and if thought fit, pass with or without modifications the following resolution as an Special Resolution:-

"RESOLVED THAT in supersession of the resolution limiting the borrowing powers of the Board of Directors of the Company upto Rs. 300 crores passed at the Extra

Ordinary General Meeting held on 21<sup>st</sup> March, 2005, the Board of Directors of the Company be and is hereby authorized under Section 293 (1) (d) of the Companies Act, 1956, to borrow moneys from time to time upto a limit not exceeding in the aggregate of Rs. 400 crore including Foreign borrowings like Foreign Convertible Currency Bonds, Foreign Currency Bonds etc. notwithstanding that moneys to be borrowed , together with the moneys already borrowed by the Company apart from temporary loans obtained from the Company's Bankers in the ordinary course of business will exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

#### NOTES:

1. The explanatory statement pursuant to section 173(2) of the Companies Act 1956, setting out all material facts in respect of special business of the notice is attached and the statement of particulars of Directors seeking reappointment under clause 49 of the listing agreement is enclosed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY, Proxies, in order to be valid and effective, must be duly filled, stamped, signed and deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. A form of Proxy and Admission Slip is enclosed.
3. Members are requested to bring their copy of the Annual Report along with the duly filled attendance slip.
4. Shareholders holding in Electronic form are requested to bring their Client ID and DPID at the meeting for easy identification.
5. The Register of Member and Share Transfer Books of the Company will remain closed from (Wednesday)26<sup>th</sup> September, 2007 to (Saturday) 29<sup>th</sup> September, 2007 (both days inclusive).
6. Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2007 when declared at the Meeting will be paid to those members whose names appear in the Register of Members as on 29<sup>th</sup> September, 2007.
7. As mandated by SEBI, the Company is providing Electronic Clearing Service (ECS) facility to the members whereby members are able to receive their dividend by way of electronic credit directly to their bank account. In the absence of availing of the option by the members, the company shall send warrants for disbursing dividend. Members desiring to avail of this ECS facility are requested to provide the Bank detail with photo copy of cheque for verifying the accuracy of Bank detail with MICR code number.
8. Members who have not encashed the dividend warrant(s) so far from the financial year 31.03.2002 onwards are requested to make their claim to the Secretarial Department at the Registered Office of the Company.

9. The members who are interested to avail of nomination facility may obtain the necessary application Form from Registrar & Share Transfer Agent.
10. All correspondence relating to the transfer and transmission, sub-division of shares, issue of duplicate shares certificates, change of address, dematerialization of shares, payment of dividend etc, will be attended at the Registered office of the company and shall be processed at the office of Registrar & share Transfer agent.
11. The queries, if any, on the accounts should be sent to the Company at its registered office such a way that the Company will receive the same at least 10 days before the Annual General Meeting.
12. Pursuant to the recommendation of SEBI committee on Corporate Governance about the re-appointment of the retiring directors, the relevant details of the concerned directors are given in the report on Corporate Governance forming part of the Directors' Report.

By order of the Board of Directors

August 31, 2007  
New Delhi

Ashok K Agarwal  
CFO & Company Secretary

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **ITEM NO.6**

Keeping in view the long experience and committed involvement of Sh. Pradeep Rathi into the affairs of your Company the Board of Directors in their meeting held on 30.03.2007, has approved the revision in his remuneration, perquisites & allowances effective April, 2007 as under :  
Salary increase to Rs. 1,50,000/- per month, perquisites and allowances to him & his family like use of car with driver, telephone at the residence, reimbursement of medical including hospitalization expenses for self and family.

The Board of Directors is authorized to alter or vary from time to time, such terms including increase in the remuneration perquisites and allowances payable as may be considered expedient and agreed by Shri Pradeep Rathi within the limitation contained in Schedule XIII of the Companies Act, 1956 and subject to the approval of the members of the Company.

This explanatory statement may also be treated as the abstract and memorandum under Section 302 of the Act. None of the directors except Sh. P.C. Rathi and Sh. Pradeep Rathi are directly or indirectly interested in the aforesaid resolution.

The Board recommends the adoption of the resolution set forth in Item No. 6 of the Notice.

##### **ITEM NO.7**

Keeping in view the long experience and committed involvement of Sh. P.C. Rathi into the affairs of your Company the Board of Directors in their meeting held on 30.03.2007, has approved the revision in his remuneration, perquisites & allowances effective April, 2007 as under :  
Salary increase to Rs. 1,50,000/- per month, perquisites and allowances to him & his family like use of car with driver, telephone at the residence, reimbursement of medical

including hospitalization expenses for self and family.

The Board of Directors is authorized to alter or vary from time to time, such terms including increase in the remuneration perquisites and allowances payable as may be considered expedient and agreed by Shri P.C. Rathi within the limitation contained in Schedule XIII of the Companies Act, 1956 and subject to the approval of the members of the Company.

This explanatory statement may also be treated as the abstract and memorandum under Section 302 of the Act. None of the directors except Sh. P.C. Rathi and Sh. Pradeep Rathi are directly or indirectly interested in the aforesaid resolution.

The Board recommends the adoption of the resolution set forth in Item No. 7 of the Notice.

##### **ITEM NO. 8**

Keeping in view the long experience and committed involvement of Shri. P.C. Rathi into affairs of your company the Board of Directors in their meeting held on 31<sup>st</sup> August, 2007 has approved the appointment of Shri P.C. Rathi as a whole time Director for a period of five years with effect from 01.10.2007 on a monthly salary of Rs. 1,50,000/- perquisites and allowances for himself and his family like use of car with Driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family. The said reimbursement is in accordance with the provision of schedule XIII of the Companies Act, 1956 and subject to the approval of the members of the company. None of the Directors except Shri P.C. Rathi and Shri Pradeep Rathi are directly or indirectly interested in the aforesaid resolution.

The Board recommends the adoption of the resolution set forth in Item No. 8 of the Notice.

##### **ITEM NO. 9 & 10**

Keeping in view the experience and active involvement of Shri Saurabh Rathi and Shri Udit Rathi both Chief Executive of the Company, into the affairs of your Company specially expansion and diversification activities in the Company. The Board of Directors in their meeting held on 30.03.2007, has approved the revision in their remuneration, perquisites & allowances effective April, 2007 as under :

Salary increase to Rs. 75,000/- per month, perquisites and allowances to them & their families as per Company's rules. The Board of Directors is authorized to alter or vary from time to time, such terms including increase in the remuneration perquisites and allowances payable as may be considered expedient and agreed by them.

None of the directors except Sh. P.C. Rathi and Sh. Pradeep Rathi are directly or indirectly interested in the aforesaid resolution.

The Board recommends the adoption of the resolution set forth in Item No.9 & 10 of the Notice.

##### **ITEM NO.11**

Keeping in view the experience and active involvement of Shrivardhan Rathi Commercial Executive of the Company, into the commercial affairs of your Company. The Board of Directors in their meeting held on 30.03.2007. has approved the revision in his remuneration, perquisites & allowances effective April, 2007 as under:

Salary increase to Rs. 60,000/- per month, perquisites and allowances to him & his family as per Company's rules.



The Board of Directors is authorized to alter or vary from time to time, such terms including increase in the remuneration perquisites and allowances payable as may be considered expedient and agreed by him.

None of the directors except Sh. P.C. Rath and Sh. Pradeep Rath are directly or indirectly interested in the aforesaid resolution.

The Board recommends the adoption of the resolution set forth in Item No.11 of the Notice.

#### ITEM NO.12

As members are aware that the Company has already initiated implementation of Integrated Steel Complex at Orissa, to foray into production of Sponge Iron, Power and Steel Billets, the project is at the advanced stage of completion. The current name of the Company viz Rath Udyog Limited does not represent the true scope of its present business, projects about to be completed and future plans. It is, therefore, proposed to change the name of the company to Rath Steel and Power Limited. The proposed name has been approved by The Registrar of Companies.

None of the Directors is concerned or interested in the above resolution.

The Board recommends the adoption of the resolution set forth in Item No.12 of the Notice.

#### ITEM NO.13

The Board of Directors were authorized by a resolution dated 21<sup>st</sup> March, 2005, to borrow monies up to a limit of Rs. 300 crore under Section 293(1)(d) of the Companies Act, 1956. To meet the increasing financial requirements on account of continuous expansion plans of the Company and to be in tune with the internal policies of some bankers who are considering temporary working capital loans as monies to be covered by the borrowings under Section 293(1) (d) of the Companies Act 1956, it was felt necessary that the borrowing powers of the Board of Directors be increased from Rs. 300 crore to Rs. 400 crore.

None of the Directors is concerned or interested in the above resolution.

The Board recommends the adoption of the resolution set forth in Item No. 13 of the Notice.

By order of the Board of Directors

Registered Office  
24/1A Mohan Cooperative  
Industrial Estate  
Mathura Road  
New Delhi-110044  
August 31, 2007

Ashok K Agarwal

CFO & Company Secretary

**DIRECTORS' REPORT****DEAR MEMBERS,**

Your Directors have pleasure in presenting the 36<sup>th</sup> Annual Report together with the audited Accounts of the company for the year ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS**

(Amount Rs. in Lacs)

Particulars	31.03.2007	31.03.2006
Sales	39948.11	29978.31
Profit before Interest Depreciation		
Tax & Amortization (EBITDA)	1823.87	1696.19
Interest	419.17	270.24
Depreciation	328.99	224.66
Profit before Tax (PBT)	1075.70	1201.28
Net profit after tax (PAT)	710.29	759.52
Dividend & Dividend Tax	142.20	93.73
Cash Accruals	1248.24	1309.65

**DIVIDEND**

In view of the delay in commissioning of Orissa project and further conservation of resources for present & future projects in hand, your directors could recommend a dividend of 5 % i.e. Rs. 0.50 per equity shares to be appropriated from the profit of the financial year 2006-07, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

**OPERATIONAL REVIEW**

During the year under review, your company produced 98702 MT of Steel Bars (TOR/TMT), 9347 MT of SS Flats/SS Wire Rod and 38509 MT of SS Billets/MS Billets as against production of 80165 MT of Steel Bars (TOR/TMT) 1137 MT of SS Flats/SS Wire Rod and 9893 MT of SS Billets/MS Billets, during the corresponding period of last year.

**FUTURE OUTLOOK**

In order to obtain more efficient operations, your company will be focusing on the Orissa project in the future and will always be looking at the possibility of expanding the capacity in both steel and power along with vertical and horizontal integration by using the most advanced technology and the most cost-effective route. The Company shall strive to maintain its leadership in the longer segment of steel products and will explore the possibility of enhancing the rolling capacity by setting up a rolling mill at Sambalpur to cater to the growing demand from infrastructure sector in Central and Eastern India. The Company believes that there is tremendous potential in Orissa project as both the basic raw materials i.e. iron ore and coal are available in abundance in the vicinity to the project site at Sambalpur.

A chain of value addition from iron ore, sponge iron, power, mild and value-added steel will lead to tremendous synergy and will enable us to service our customers better by providing high quality products at competitive prices.

Besides Orissa project the company's endeavour to increase the production/productivity and add value added products to its existing operation at Ghaziabad shall be continued. The company in the process commissioned re-heating furnace and coil balancing equipments which has increased

the production at Ghaziabad operations. Your company is further looking for modernization of its existing rolling mill, upgradation of steel melting shop along with improvement in industrial infrastructure facility including material storage and handling facility to cater to produce high quality spiral steel wire rods. The demand and margin for this product is lucrative. The funding for these projects/expansion shall be mixed out of internal accruals/equity & debt. The equity contribution can be in combination of preferential allotment of equity shares/convertible warrants or any other suitable instruments to strategic investors/shareholders including promoters.

**SHARE CAPITAL**

During the year, the Company issued an aggregate of 1,96,00,000 equity shares of Rs.10/- each under its follow-on public issue, due to which, the paid-up share capital of the company now stands increased from Rs. 470.81 lacs to Rs.2430.81 lacs. The company has utilized most of the proceeds from follow-on public issue for the purposes set out in the prospectus issued in connection with the issue.

**STATUS OF IMPLEMENTATION OF ORISSA PROJECT**

The progress of implementation of its green field integrated steel complex at Orissa comprising of manufacturing of Sponge Iron, M.S. Billets and Captive Power Generation based on Waste Heat recovery and residual coal fines is delayed in spite of initial speedy took off. The delay is mainly on account of delay in supply of critical equipments, heavy rainfall in Orissa and scarcity of skilled and unskilled contractual labour. The project is expected now to be completed within the IIIrd quarter of the current financial year.

**PUBLIC DEPOSITS**

The company has not invited or accepted any deposits during the year from the public under Section 58A of the Companies Act, 1956.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Shri P.C. Rath and Shri S.K. Daga, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed that they have not incurred any disqualification under Section 274(1)(g) of the Companies Act, 1956 and they are eligible to be re-appointed as Directors of the company.

**AUDITORS**

M/s M. Lal & Co. Chartered Accountants, retire and are eligible for re-appointment. They have confirmed that their re-appointment, if made, would be in conformity with the limits prescribed under Section 224 of the Companies Act, 1956.

**NOTES ON ACCOUNTS**

The notes to the accounts referred to by the Auditors in their report are self-explanatory and may be treated as information/explanation submitted by the board as contemplated under Section 217(3) of the Companies Act 1956.

**PARTICULARS OF EMPLOYEES**

During the year under review, there was no employee who falls under the terms of Section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

As required under the provisions narrated under Section 217(1)(e) of the companies Act, 1956, read with companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant data is attached and forming part of this report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Sub-Section (2AA) of Section 217 of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors confirm:

- i) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii) That your company had selected such accounting policies and applied them consistently and made judgments 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 as on 31<sup>st</sup> March, 2007 and of the profit & loss account of the company for that period.
- iii) That your company 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.
- iv) That the accounts of your company have been prepared on going concern basis.

### LISTING OF SHARES

The equity shares of the company are presently listed at the Delhi Stock Exchange Association Limited (DSE) and The Bombay Stock Exchange Ltd (BSE). The company has duly paid the listing fees to both the exchanges. No trading of shares took place at DSE for the last six years. The company has obtained the approval of members in the last Annual General Meeting, for voluntary delisting of Company's shares from the Delhi Stock Exchange Association Limited (DSE).

The delisting application has not been submitted considering the revival possibilities of the Delhi Stock Exchange Association Limited (DSE)

### CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with stock exchanges, a separate section titled "Compliance Report on Corporate Governance" has been included in this Annual Report along with a certificate of compliance from the Auditors and forming part of this report.

### MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with stock exchanges.

A management discussion and Analysis Report, highlighting the performance and prospectus of the company's business is attached and forming part of this report.

### ISO CERTIFICATION

Your company has been certified as ISO 9001-2000 by Indian Register Quality System, accredited by RVA for its QUALITY MANAGEMENT SYSTEM.

### INDUSTRIAL RELATIONS

During the year, your company maintained harmonious and cordial industrial relations.

### ACKNOWLEDGEMENTS

Your Directors take this opportunity to offer their sincere thanks to the various Departments of the Central and State Government. Bankers to the company, all customers, suppliers and contractors for their continued valued assistance and support. Your Directors also wish to place on record their appreciation for dedicated services rendered by all officers, staff and workers of the company at all levels.

**For and on behalf of the Board**

**P.C. Rathi**  
Director

**P. N. Varshney**  
Director

New Delhi

Dated: August 31, 2007



**ANNEXURE TO THE DIRECTORS' REPORT**

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007.

**A. CONSERVATION OF ENERGY**

The company has taken a number of steps to improve the conservation of energy by increasing the efficiency of raw material inputs, by reducing/eliminating consumption wastages. Conservation of energy and improving the efficiency of existing resources are continuing processes and form an integral part of responsibilities of departmental heads. Various steps taken in this director are as follows.

- a) Energy conservation measures taken:
  - Optimization of capacity utilization, thus reducing specific consumption of energy.
  - Optimization of pump & motor operations through standard operating practices.
  - Strict control of Quality inputs, thus saving electricity consumption.
  - Minimisation of handling losses.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy :- NIL
- c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
  - The per ton power consumption has been under control.
- d) Total energy consumption and energy consumption per unit of production is as per form Annexed.

**B. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption is as per form B annexed.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and Services, and export plans.
- b) Total Foreign Exchange used and earned

	2006-07	2005-06
Used	4,47,07,914	2,30,68,852
Earned	2,25,18,092	NIL

**FORM A****Disclosure of Particulars with respect of Conservation of Energy****A. POWER AND FUEL CONSUMPTION**

Current Year (2006-07)	Prev. Year (2005-06)
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**1. Electricity**

a) Purchased units (KWH)	35404700	19611632
Total amount (Rs.)	141679106	79752440
Rate/unit (Rs.)	4.00	4.06
b) Own generation:	NIL	NIL

**2. Coal (No coal is used)****3. Gases & Fuels**

Natural Gas/RFO/FO/LDO	134680035	86770969
b) Oxygen/Argon/Nitrogen Gases	44720387	11489010
Natural Gas (Rs/SCM)	9.57	8.75
Oxygen/Nitrogen Gases (Rs./Lt.)	9.90	8.80
Argon Gases (Rs./LT)	38.70	37.50
F.O. (Rs./Litre)	19.70	20.11

**4. Others/Internal Generation**

NIL NIL

**B CONSUMPTION PER MT OF PRODUCTION**

Production – Steel Bars (M.T)	108049	81724
Electricity (KWH)	134	146
Coal Steam "B" Grade	NIL	NIL
Fuel & Oil (Rs./Ton)	1246	989
Production – MS/SS Billets (MT)	38508	9893
Electricity (KWH)	543	474
Oxygen/Argon/Nitrogen Gases (Rs/Ton)	1161	1161

**FORM-B****DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****A. RESEARCH AND DEVELOPMENT**

NIL

**B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**

NIL

- 1) Efforts, in brief, made towards technology absorption adaptation and innovation NIL
- 2) Benefits derived as a result of the above efforts e.g product improvement, cost reduction, product development, import substitution etc. : Not applicable in view of reply B(1) above.
- 3) Information relating to imported technology. N.A.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Board has laid down a Code of Conduct for its Board members & Senior Management. This Code is available on the Company's website. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended March 31, 2007, as envisaged in Clause 49 of the Listing Agreement with stock exchanges.

New Delhi  
Dated :August 31, 2007

Pradeep Rathi  
Managing Director