

**41st
ANNUAL - REPORT
2011-2012**

Rathi Steel and Power Ltd.

BOARD OF DIRECTORS

Shri Pradeep Kumar Rath
Shri Prem Narain Varshney
Shri Shree Kumar Daga
Shri Dwarka Das Lakhotia
Shri Ranjit Khattar

COMPANY SECRETARY

Shri N. K. Garg

AUDITORS

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

LEGAL ADVISOR

Mr. Shiv Khurana, Advocate
F-7, Second Floor
Lajpat Nagar-III
New Delhi- 110024

BANKERS

Bank of Baroda
Canara Bank
Syndicate Bank
State Bank of India
Dena Bank
Karur Vyasa Bank Limited

REGISTERED OFFICE

24/1A, Mohan Co-Operative
Industrial Estates, Mathura
Road, New Delhi – 110044
Ph: 011- 26991060-62
Fax: 011-26991063

CORPORATE OFFICE

Industrial Area No. 1
A-3, South of GT Road
Ghaziabad (U.P.)
Pin- 201009
Ph: 0120-2840346-350
Fax: 0120-2840352-353

WORKS:
Unit No. 1

Industrial Area No. 1
A-3, south side of GT Road,
Ghaziabad (U.P.)
Pin- 201009
Ph: 0120-2840346-350
Fax: 0120-2840352-353

Unit No.2

Vill. Potapalli, Sikirdi, P.S.
Burla, Dist. Sambalpur (Orissa)
Pin- 768006
Ph: 0663-2541170, 2230495

**REGISTRAR &
SHARE TRANSFER AGENT**

Mas Services Limited
T-34, Second Floor,
Okhla Industrial Area,
Phase-II, New Delhi- 110020
Ph: 011-26387281-82-83
Fax: 011-26387384
Email: info@masserv.com

NOTICE

Notice is hereby given that the 41st Annual General Meeting of the members of Rath Steel And Power Limited will be held on Saturday, the 29th day of September 2012 at Little Theater Group, Next to Kamani Auditorium, Copernicus Marg New Delhi-110001 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 and the 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 Shri Prem Narain Varshney, who retires by rotation and being eligible, offers him-self for re-appointment.
3. To appoint a Director in place of Shri Ranjit Khattar, who retires by rotation and being eligible, offers him-self for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s), if any, the following resolution as an ORDINARY RESOLUTION.

"Resolved that M/s M. Lal & Co. Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors."

For Rath Steel And Power Limited

Sd/-

Place: New Delhi
Date: 03/09/2012

(N.K. Garg)
Company Secretary

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of him-self and the proxy need not be a member of the Company. The instrument appointing the proxy should, however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.

2. Members are requested to bring their attendance slip along with their copy of Annual report to the meeting.
3. Members who hold shares in dematerialized form are requested to write their client ID and DP ID and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
4. The Register of Members and Share transfer books of the Company will remain closed from 24th September 2012 to 29th September 2012 (both days inclusive)
5. The members who are interested to avail the nomination facility may obtain the necessary application form from Registrar and Share Transfer agent of the Company.
6. All correspondence relating to the transfer and transmission, sub-division of shares, issue of duplicate share certificate, 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 the Registrar and Share Transfer agent.
7. 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.
8. Pursuant to the recommendation of SEBI committee on corporate governance about re-appointment of the retiring Directors, the relevant detail of the concerned directors are given in the report on Corporate Governance form part of the Director's Report.

For Rath Steel And Power Limited

Sd/-

Place: New Delhi
Date: 03/09/2012

(N.K. Garg)
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting the 41st Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended 31st March 2012 (Rs. In Lacs)	Year ended 31st March 2011 (Rs. In Lacs)
Sales (Net of Excise)	93665.84	82464.01
EBITDA	8276.42	6742.55
Interest	5003.43	3633.31
Depreciation	2255.73	1973.80
Profit before Tax (PBT)	1017.26	1135.44
Profit after Tax (PAT)	1238.00	1405.00
Dividend and Dividend Tax	Nil	109.52

DIVIDEND

Considering the requirement of funds in the operations of the company, Directors regret their inability to declare any dividend.

PERFORMANCE REVIEW

Net sales for the financial year under review were Rs. 937 crores as against 825 Crores for the previous financial year. The operational performance of the Company has been comprehensively covered in the Management Discussion and Analysis report.

FUTURE OUTLOOK

The world steel industry is a large one. According to the World Steel Association, world crude steel production was a record 1,527 million tons in 2011. However, despite its size, the steel industry remains relatively fragmented. The industry is highly cyclical and intensely competitive.

In 2011, world steel production is estimated to increase by 7.0% y-o-y, underpinned by growth in China and India. However, the growth of Organisation for Economic Co-operation and Development economies is expected to be stagnant or modest at best. Global steel production is expected to grow by another 7.0% in 2012.

In early 2011, there were major concerns that the rapid growth of China's steel production was putting

pressure on international steel markets due to the impact of demand on key raw material inputs. Steel prices rallied in the first half of 2011 due to raw material cost escalation. The cost-push rally is because cost prices have been rising faster than the steel prices, thus squeezing the margins of steel players.

Chinese crude steel production in the first half of 2011 increased about 10% to reach 353 million tonnes and was expected to continue to increase at a moderate pace in the second half of 2011 in response to slower consumption growth in the country.

India represents the new growth frontier for global steelmakers. The Indian economy is better insulated from the global economy than other Asian countries because it does not rely heavily on exports to the developed market. However, in the globalized environment, no economy is completely decoupled from the world economy. In addition, GDP growth in 2010 and 2011 was hampered by the 13 consecutive interest rate hikes aimed at curbing inflation.

In an effort to curb inflation, policy-makers and regulators have adopted policies that slow down the real economic activity in the economy. Also all the macro-economic indicators point out the onset of overall economic slowdown of Indian economy which will have a profound impact on investment, growth of manufacturing and other sectors. Further, the uncertain global economic environment continues to pose serious challenges to the sustained growth of Indian economy.

However, economic fundamentals high savings and investment rates, demography, and a rapidly growing middle class remain strong in India, which will ensure a relatively stable economic performance for the country.

Fitch Ratings says that the outlook for the Indian Steel producers will remain stable in 2012, despite the risk of a slowdown in the growth of domestic steel demand. Fitch believes that demand for steel from automobile, white goods, construction and infrastructure sectors will continue to grow through 2012, albeit at a low rate of 6%-7%.

Steel demand has a high correlation with growth in GDP, which is showing signs of a slowdown. Fitch estimates its real GDP growth projections for India for FY13 at 7.5% due to higher domestic interest rates and a weaker global economy.

Nevertheless, there exists enormous potential in the economy for higher growth of domestic steel demand in medium and long term. In terms of actual steel usage India lags behind other major steel producing countries. In 2010 our per capita consumption of

steel was only 51.7 Kgs as against the world average of 202.7 kgs. A massive investment to the tune of \$ 1 trillion dollars has been envisaged during the Twelfth five year plan in the infrastructure sector. Besides there is a greater emphasis on the growth of the Manufacturing Sector in the country. This augurs well for expansion of the base of steel consumption in the economy. A rough estimate of incremental demand for steel in the country works out approximately to 40 million tonnes in infrastructure alone. Hence, it is likely to raise intensity of steel consumption in the country measured in terms of steel consumption per unit of Gross Domestic Product (GDP). The National Steel Policy had set a production target 110 million tonnes to be achieved by 2019-20. The Indian steel industry may achieve double digit growth in consumption and surpass this production target by 2016-17 well ahead of the target date.

Government on its part has taken number of initiatives to boost the growth of real estate sector. Some of the measures taken include opening the doors for External Commercial Borrowing ('ECB') for specified low cost affordable housing projects which could potentially provide the much needed liquidity to the housing sector. Further, the interest to be paid on the ECB loan availed from the period July 2012 to June 2015 by the real estate developer is to be subjected to a lower rate of deduction of tax at source. Investment linked deduction is available for low cost affordable housing projects.

You are well aware that your company is into the business of manufacturing of long products of mild steel and stainless steel. While the company's endeavour has always been to maintain its position in long segment, it is also trying to increase its share in the value added products such as long products of special diameter and stainless steel products. During the year under review your company successfully completed the expansion of capacity of rolling mills at Ghaziabad to 175000 MTPA from 125000 MTPA.

PUBLIC DEPOSITS:

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

DIRECTORS:

In terms of Article 116 of the Articles of Association of the Company, Shri Prem Narain Varshney and Shri Ranjit Khattar, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have confirmed that they have not incurred any disqualification under section 274(1) (g) of the Companies Act, 1956 and are eligible for

reappointment as Director of the Company.

AUDITORS' AND AUDITORS' REPORT:

M/s M.Lal & Co., Chartered Accountants hold office until the conclusion of the ensuing 41st Annual General Meeting and are eligible for re-appointment. They have confirmed that their re-appointment, if made, would be in conformity with the limit prescribed under section 224(1B) of the Companies Act, 1956. The notes to the accounts referred to in by the Auditors are self explanatory and therefore do not calls for any further comment.

COST AUDITORS:

The Board of Directors had approved the Re-appointments of M/s R.M.Bansal & Co., Cost Accountants (Kanpur) to conduct the Cost Audit for the year ended on 31st March, 2013.

PARTICULARS OF EMPLOYEE(S):

During the year under review there was no employee falling under the terms of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND 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.

DIRECTOR RESPONSIBILITY STATEMENT:

Pursuant to the provisions of sub section 217(2AA) of the Companies Act, 1956 the Board of Directors confirms:

- (i) That in preparations of the annual accounts for the financial year ended 31.03.2012 the applicable accounting standards had been followed along with proper explanations relating to material departure.
- (ii) That the selected accounting policies were applied consistently and judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2012 and of the profit or loss of the company for the year ended on that date.
- (iii) That proper and sufficient care has been taken 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 annual accounts of your company have been prepared on going concern basis.

LISTING OF SHARES:

The Equity shares of the Company are presently listed with Mumbai Stock Exchange Limited. The Company has made a request to delist its equity shares from Delhi Stock Exchange Limited.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, 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:

Management Discussion and Analysis Report for the year under review, as per clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section, forming part of Annual Report.

INDUSTRIAL RELATIONS:

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

ACKNOWLEDGEMENT:

The Board of Directors take this opportunity to express its gratitude and appreciation to the Banks, Central and State Government Authorities, Regulatory Authorities Stock Exchange and the stake holders for the continued cooperation and assistance extended to the Company.

For Rath Steel And Power Limited

Sd/-
Prem Narain Varshney
Whole Time Director

Sd/-
Pradeep Kumar Rath
Managing Director

Place: New Delhi
Date: 27/08/2012

ANNEXURE TO THE DIRECTOR'S REPORT:

INFORMATION AS PER SECTION 217(1)(E) OF

THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) REPORT 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2012.

(1) CONSERVATION OF ENERGY:

The Company has taken a number of steps to improve the conservation of energy by optimum utilization of electrical resources and equipments. Conservation of energy and improving the efficiency of existing resources are continuing process and form an integral part of responsibility of department head.

(A) Energy conservation measure taken:

- (i) All the staff members are strictly instructed to switch off all the lights and equipments after office hours when not in use.
- (ii) Optimization of capacity utilization thus reducing specific consumption of energy.
- (iii) Strict control of quality input for saving electricity consumption.
- (iv) Minimization of handling loss.
- (B) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy: The company is studying the feasibility of adding variable frequency drives for various applications wherever suitable, to bring down the energy consumption subject to techno-commercial viability of the proposal.
- (C) The impact of above (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods.
- (D) The per-ton power consumption has been under control.

(2) TECHNOLOGY ABSORPTION:

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

(3) Foreign Exchange Earning and Outgo:

- (a) Activities relating to exports: initiatives taken to increase export, development of new export market for products and services and export plan.

- (b) Total foreign exchange used and earned

	2011-12 Amount (Rs.)	2010-11 Amount (Rs.)
Used	52,96,18,950	28,48,68,759
Earned	Nil	Nil

FORM A

S. No.	PARTICULARS		
A.	Power and Fuel Consumption	Current Year	Previous year
1.	ELECTRICITY	2011-2012	2010-2011
	Ghaziabad Unit		
	(a) Purchase Units		
	(i) Rolling Mill Unit (A-3)	17357450	19785487
	(ii) SMS Unit (C-4)	24034800	20345200
	(b) Total Amount (In Rs.)		
	(i) Rolling Mill Unit (A-3)	87392052	90694122
	(ii) SMS Unit (C-4)	108951545	94960882
	(c) Rate / Unit		
	(i) Rolling Mill Unit (A-3)	5.03	4.58
	(ii) SMS Unit (C-4)	4.53	4.67
	Orissa Unit		
	(a) Purchase Units	3031020	5597511
	(b) Total Amount (In Rs.)	24982421	31253456
	(c) Rate / Unit	8.24	5.58
	Own Generation (Gross)	84310000	95411000
2.	GAS & FUELS		
	(a) Natural Gas / Furnace Oil (SCM / Litre)	6063323	7965380
	(b) Natural Gas Rs./ SCM	23.38	16.80
	(c) FO Rs. / Liter	52.42	34.98
3.	OTHER GENERATION	Nil	Nil
B.	CONSUMPTION PER MT OF PRODUCTION		
	Ghaziabad Unit		
	Finished Production (MT)		
	(i) Rolling Mill Unit (A-3)	101330	125680
	(ii) SMS Unit (C-4)	47370	42230
	Electricity (in unit)		
	(i) Rolling Mill Unit (A-3)	171.30	157.43
	(ii) SMS Unit (C-4)	507.38	481.76
	Natural Gas / FO (SCM / Litre)	59.84	63.38
	Orissa Unit		
	Production Billet (MT)	52816	70517
	Electricity (KWH)	919.18	883.60

Note: Previous year figures have been regrouped / rearranged wherever necessary.

FORM -B

Disclosure of particulars with respect to technology absorption

improve operational efficiencies and yield of its products.

B. Technology Absorption Adaptation & Innovation

A. Research and Development

The Company is doing in house R&D activities to (1) Efforts in brief, made towards technology

absorption and innovation. - The company has always tried to adopt the best and latest technologies to manufacture its products. It is due to this very reason that over the years the company has witnessed very positive response and quick adaptation of the various products and grades of steel that have been manufactured from time to time. For instance, the company was amongst the first in the country to adopt the TOR® technology in the 1970s and was again amongst the first to make a quick transformation to THERMEX® technology for manufacturing TMT bars at its Ghaziabad plant.

In the area of special steel as well, the company has installed the most modern and suitable technology for manufacturing of high quality stainless steel products in the steel melting shop at Ghaziabad and has also installed the most modern mono-block to finish superior quality of wire rods.

In addition to the above, the company has also continuously upgraded and modernized the rolling mills to adhere to the international standards.

For the Orissa plant, the company has tied-up with the best technology and equipment suppliers who have provided the best know-how and most modern and reliable equipments for manufacturing sponge iron, power for captive use and steel billets.

- (2) Benefit derived as a result of the above efforts.

e. g. product improvement, cost reduction, product development, import substitution etc.- Technology has helped in product improvement.

- (3) Information relating to Imported Technology – NIL

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 and 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, 2012 as envisaged in Clause 49 of the Listing Agreement with the Stock Exchange.

For Rathi Steel And Power Limited

Sd/-
Prem Narain Varshney
Whole Time Director

Sd/-
Pradeep Kumar Rathi
Managing Director

Place: New Delhi
Date: 27/08/2012

TO WHOM IT MAY CONCERN

(Certificate from statutory Auditors on compliance of conditions of Corporate Governance)

The members

Rathi Steel And Power Limited

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31st March 2012 with the relevant records and documents maintained by the Company furnished to us for our review and the report on corporate governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statement of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion the company has complied in all material respect with the conditions of corporate governance as stipulated in clause 49 of the Listing agreement with the stock exchange and no investor grievance(s) is / are pending for a period exceeding one month against the company as per records maintained by the shareholders / investor grievances committee.

We further state that our examination of such compliance is neither an assurance as to viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the Company.

**For M. Lal & Co.
Chartered Accountants**

Place: New Delhi

Date: 27-08-2012

**Sd/-
M. L. Agarwal
M. No. 11148**

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2011-12 (IN ACCORDANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH STOCK EXCHANGE)

Corporate governance is commonly referred to as a system by which organization are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate Governance is a reflection of the Company's culture, policies, relationship with stakeholders, commitment to values and ethical business conduct.

1. Company's Corporate Governance Philosophy

Rathi Steel and Power Limited's philosophy on corporate governance envisages working towards the highest levels of transparency, accountability, consistent value system, delegation across all facets of its operations leading to sharply focused and operationally effective growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employee, customers, suppliers and statutory authorities.

The Company is in compliance with the requirement of the revised guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited (BSE).

2. (A) Board of Directors

Composition and category of Directors (as on 31st March 2012)

The Company has an Executive Chairman and the number of Independent Directors is equal to 50% of the total number of Directors. As on 31st March 2012 the Company has 5 Directors on its Board, of which 3 Directors are independent. The number of Non-executive Directors is more than / equal to 50% of the total number of Directors. The Company is in compliance with the recent amendment / development of Clause 49 of the Listing Agreement pertaining to composition of Board of Directors.

The name and categories of the Directors on the Board along with their directorship held in other bodies corporate are as follows:

Director's Name	Designation	Category	Directorship		No. of Committees	
			Public	Private	Member	Chairman
Shri Pradeep Kumar Rathi	Managing Director	Executive and Non Independent	03	01	Nil	Nil
Shri Prem Narayan Varshney	Whole Time Director	Executive and Non Independent	Nil	Nil	Nil	Nil
Shree Kumar Daga	Director	Non Executive and Independent	01	Nil	Nil	Nil
Shri Ranjit Khattar	Director	Non Executive and Independent	01	02	Nil	Nil
Shri Dwarka Das Lakhota	Director	Non Executive and Independent	Nil	Nil	Nil	Nil

(b) Information in case of appointment or re-appointment as required under listing agreement is given as under:

Shri Prem Narain Varshney, aged 59 years, holds a graduation degree in Economics from Agra University. He has more than 37 years of experience in the field of Human Resources Development. He has been on our Board of Directors since 1997 and is an executive and Non independent Directors since April 2005.

Shri Ranjit Khattar aged 52 years is a qualified and practicing chartered accountant with more than 27 years of experience. He worked with various organizations in the capacity of Chief Financial officer and as a financial consultant / He has been on our Board of Directors as a

Non Executive and Independent Director since February 2005.

(c) Details of Board Meeting held during the financial year 2011-12

12 (Twelve) Board meetings were held during the financial year 2011-12 and the gap between two Board meetings did not exceed four months. The date on which the Board meetings were held as follows:

04th May 2011, 27th May 2011, 25th June 2011, 23rd August 2011, 24th September 2011, 29th October 2011, 08th November 2011, 27th December 2011, 16th January 2012, 30th January 2012, 22nd February 2012, 27th February 2012. All Meetings were held at the registered office of the Company.