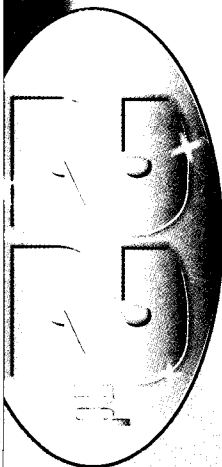


ANNUAL REPORT 2005-2006

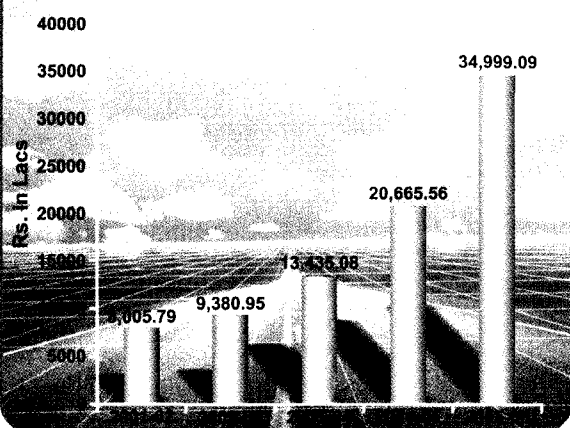


Report

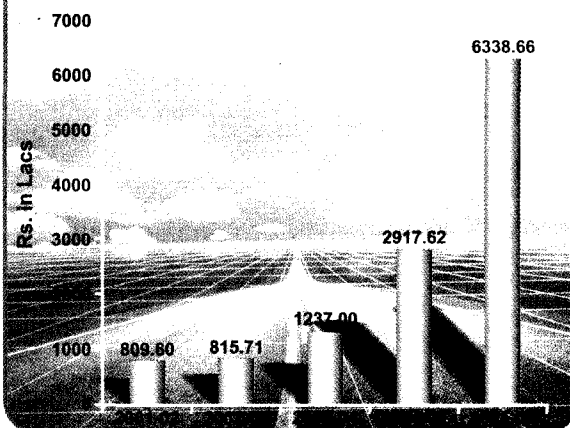


RATNAMANI
METALS & TUBES LTD.

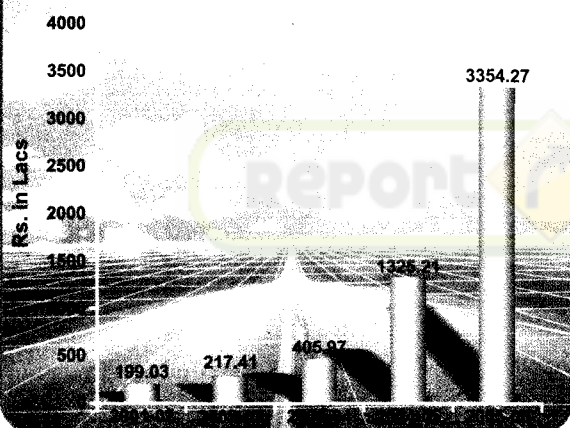
GROSS TOTAL INCOME



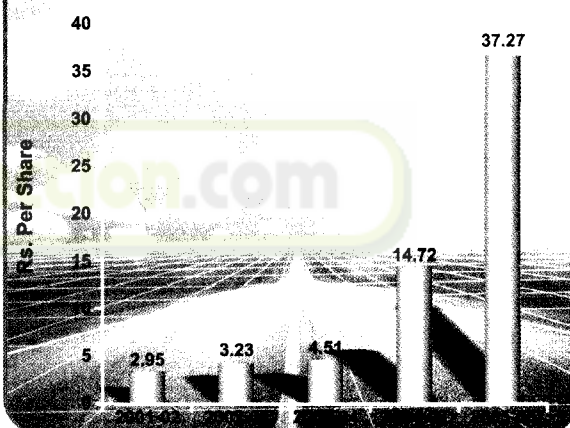
PROFIT BEFORE INTEREST, DEPRECIATION & TAX



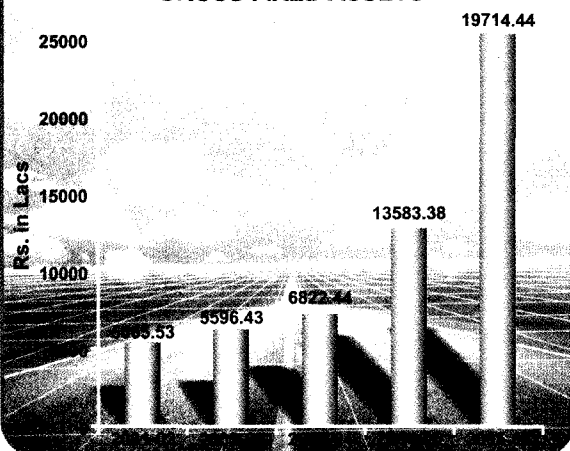
PROFIT AFTER TAX



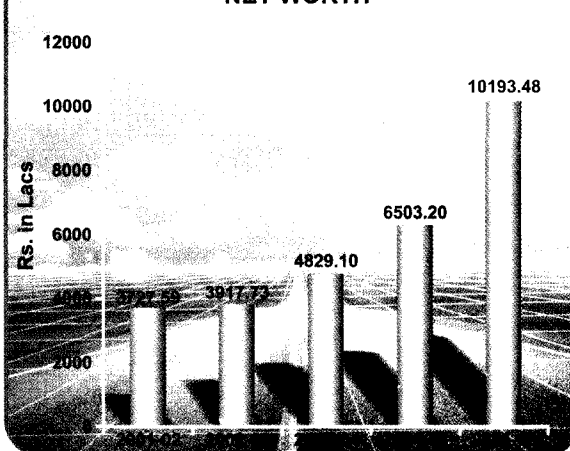
EARNINGS PER SHARE



GROSS FIXED ASSETS



NET WORTH





RATNAMANI
METALS & TUBES LTD.
AHMEDABAD

- Board of Directors** : **Shri P. M. Sanghvi** Chairman & Managing Director
Shri J. M. Sanghvi Whole-time Director
Shri S. M. Sanghvi Director (Marketing)
Shri D.C. Anjaria Director
Dr. V. M. Agrawal Director
Shri P. M. Mehta Director
- Bankers** : State Bank of India
Dena Bank
Punjab National Bank
IDBI Limited
- Auditors** : **M/s. Mehta Lodha & Co.**
Chartered Accountants
- Registered Office** : 17, Rajmugat Society
Naranpura Char Rasta,
Naranpura,
Ahmedabad - 380 013.
- Works** : **STAINLESS STEEL TUBES AND PIPES DIVISION**
Ahmedabad - Mehsana Highway
Village - Indrad
Nr. Chhatral GIDC
Taluka - Kadi
Dist. : Mehsana
GUJARAT
- SAW PIPE DIVISION**
Plot No. 3306 to 3309
GIDC - Chhatral
Taluka - Kalol
Dist. : Gandhinagar
GUJARAT
- KUTCH DIVISION**
Survey No. 474
Village - Bhimasar
Taluka - Anjar
Dist. : Kutch
GUJARAT



FINANCIAL HIGHLIGHTS OF LAST FIVE YEARS

(Rs. In Lacs)

Financial Year	2001-02	2002-03	2003-04	2004-05	2005-06
Turnover & Profitability					
Gross Total Income	8005.79	9380.95	13435.08	20665.56	34999.09
Profit before Interest, Depreciation & Tax	809.60	815.71	1237.00	2917.62	6338.66
Profit Before Tax	302.58	323.82	626.96	2102.93	4709.51
Net Profit After Tax	199.03	217.41	405.97	1325.21	3354.27
Cash Profit	554.45	579.07	916.58	2315.40	4685.79
Balance Sheet					
Gross Fixed Assets (Including CWIP)	5065.53	5596.43	6822.44	13583.38	19714.44
Ordinary Share Capital	673.99	673.99	900.00	900.00	900.00
Reserves & Surplus (Inc. Deferred Tax)	3053.60	3243.74	3929.10	5603.20	9293.48
Secured Loans	414.49	67.70	14.58	3666.46	6372.05
Performance Ratios					
PBIDT/ Total Income	10.11%	8.70%	9.21%	14.12%	18.11%
Operating Profit/ Total Income	3.78%	3.45%	4.67%	10.18%	13.46%
Return on Net-worth	5.33%	5.55%	8.41%	20.38%	32.91%
EPS (Rs.)	2.95	3.23	4.51	14.72	37.27
Book Value (Rs.)	55.31	58.13	53.66	72.26	113.26
Interest Coverage (times)	4.19	4.70	4.87	7.71	7.12
Current Ratio	1.44	1.26	1.26	1.05	1.14
Debt / Equity Ratio	0.15	0.10	0.11	0.68	0.71
Fixed Assets Coverage	5.69	8.40	8.29	2.40	2.23



NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of RATNAMANI METALS & TUBES LTD. will be held on Saturday, 9th September 2006 at 10:00 a.m. at the Conference Hall of "The Ahmedabad Textile Mills Association", Near "Gurjari", Ashram Road, Ahmedabad 380 009 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares
3. To appoint a Director in place of Shri P. M. Mehta who was liable to retire by rotation at this Annual General Meeting. He is not willing to be reappointed. It is proposed not to fill up the resultant vacancy at present.
4. To re-appoint Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and subject to approval of Central Government, if and as may be necessary, consent of the Company be and is hereby accorded to Mr. Manoj Prakash Sanghvi, son, of Shri Prakash M. Sanghvi, Chairman and Managing Director of the Company, to hold office or place of profit in the Company as Executive (Commercial) with effect from 01/07/2006 on the monthly remuneration of Rs. 30,000 (Basic salary) and other perquisite (including PF, Bonus, etc.) amounting to Rs. 11,350 (cost to the Company per month - Rs. 41,350) with the annual increment as may be approved by the Board but within the overall limits as prescribed from time to time."

"RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorized to revise the above terms of remuneration subject to overall limits, as may be set out by the Government from time to time and when deemed fit and necessary."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be expedient and desirable for the purpose of giving effect to this resolution including such modification when necessary, to the above terms of remuneration as the Central Government may suggest or require while granting approval."

6. To consider and if thought fit, to pass with or without modification, following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and subject to approval of Central Government, if and as may be necessary, consent of the Company be and is hereby

accorded to Mr. Nilesh P. Sanghvi, son of Shri Prakash M. Sanghvi, Chairman and Managing Director of the Company to hold office or place of profit in the Company as Executive (Operations) with effect from 1st July 2006 on the monthly remuneration of Rs. 15,028 (Basic Salary) and other perquisites (including PF, Bonus, etc.) amounting to Rs. 18,334 (cost to the Company per month Rs. 33,362) with the annual increment as may be approved by the Board but within the overall limits as prescribed from time to time."

"RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorised to revise the above terms of remuneration subject to overall limits, as may be set out by the Government from time to time and when deemed fit and necessary."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be expedient and desirable for the purpose of giving effect to this resolution including such modification when necessary, to the above terms of remuneration as the Central Government may suggest or require while granting approval."

Registered Office:

17, Rajmugat Society,
Naranpura Char Rasta,
Ahmedabad - 380 013
20th July, 2006

By the order of the
Board of Directors

V.C. Bhagat
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER
2. Proxies, in order to be effective, must be received at the Company's Registered Office, not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 2nd September 2006 to Saturday, 9th September 2006 (Both days inclusive).
4. The Dividend, if declared will be payable from Monday, 18th September, 2006:
 - (a) to those members whose names appear in the Register of Members of the Company after giving effect to all valid transfers in physical form lodged with the Registrar and Share Transfer Agent of the Company before Saturday, 9th September, 2006 and
 - (b) in respect of shares held in electronic form to those members whose names appear on the statements of beneficial owners furnished by NSDL and CDSL as at the end of the business hours on Friday, 1st September 2006. Members are requested to note that the Dividend Warrants will be payable at par with the initial validity period of three months.
5. Queries on "Accounts and Operations" of the Company if any, may please be sent to the Company ten days in advance of the Meeting so that the answers are readily available at the meeting.
6. Kindly quote your LF Number / Cl. ID in all your future correspondence.



7. Members are requested to bring their copies of the Annual Reports to the Annual General Meeting of the Company.
8. The Company has already transferred unclaimed Dividend declared for the Financial Year ended 31st March 1998 to the Investors Education and Protection Fund of the Central Government pursuant to Section 205C of Companies Act, 1956.

In view of the amendments to the Companies Act, 1956, the details of the unpaid Dividend that are due for transfer to the Investors Education and Protection Fund set up by the Central Government are as follows:

Date of Declaration	For the Financial Year	Due for Transfer on	Unpaid Amt. (Rs. in lac)
30/09/1999	1998-1999	29/10/2006	0.81
25/05/2000	1999-2000	24/06/2007	0.87
29/09/2001	2000-2001	28/10/2008	1.00
30/09/2003	2002-2003	29/10/2010	1.42
30/09/2004	2003-2004	29/10/2011	1.18
28/09/2005	2004-2005	27/10/2012	2.09

Members who have not encashed their Dividend Warrants may approach to the Company immediately for re-validation as otherwise no claim thereafter shall lie against the Fund or the Company in respect of such unclaimed Dividend Amount.

9. The Company has appointed M/s. Pinnacle Share Registry Pvt. Ltd. as its Registrar and Share Transfer Agent w.e.f. 01/04/2003. All the shareholders of the Company are therefore requested to correspond directly with them at the following address in the matters related both for the transfer of shares as well as for dematerialization of the shares.
Shri Gautam V. Shah, Pinnacle Share Registry Pvt. Ltd., Unit: Ratnamani Metals & Tubes Ltd., Near Ashoka Mills, Naroda Road, Ahmedabad-380025. Phone No.(079) 22204226, 22200338, 22200582 Fax No.(079) 22202963, Email: gautam.shah@psrpl.com
10. Members are requested to notify immediately any change in their address / Bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and in respect of their physical shares Folios to the Registrar and Share Transfer Agent of the Company.
11. With a view to providing protection against fraudulent encashment of Dividend Warrants, members are requested to provide their Bank Account Numbers, names of the Banks and addresses of the branches to enable the Company to incorporate the said details in the Dividend Warrants.
12. Explanatory Statement as required Under Section 173(2) of the Companies Act, 1956 in respect to items 5 and 6 of the notice is annexed hereto.

Annexure to the Notice
Explanatory Statement as required under Section 173(2) of Companies Act, 1956

ITEM No. 5

Shri Manoj Prakash Sanghvi is the son of Shri Prakash M. Sanghvi, Chairman and Managing Director. After graduation in commerce faculty and completing Part I of Master of Commerce, he obtained degree of Master of Business Administration at University of Illinois at Chicago, USA. While pursuing his MBA, he obtained experience as Accountant for the following :

- (a) Reconciled Patient Accounts
- (b) Prepared Monthly Room and Board Report.
- (c) Conducted Internal Audit.

He has also gained experience as Marketing Executive and worked on many projects.

The Board of Directors in its meeting held on 13th June 2006 has approved, subject to approval of the members of the Company, and subject to the approval of the Central Government, if necessary, appointment of Shri Manoj Prakash Sanghvi as Executive (Commercial) in the Company with effect from 1st July 2006 on monthly Basic Salary of Rs.30,000/-. "(Rupees Thirty Thousand Only)" and other allowances, perquisites and benefits as set out in the said resolution and with what is provided to other executives holding similar positions in the Company. He will be reporting to General Manager - Commercial.

Since the remuneration payable at present to Shri Manoj Prakash Sanghvi is less than Rs.50,000/- per month, the approval of the Central Government is not required for payment of remuneration. However, such approval of Central Government will be sought for as and when required if the ceiling in remuneration as may be set out by the Government from time to time is exceeded by the Company.

The Directors recommend this resolution for the approval of the members.

Except for Shri Prakash M. Sanghvi, Chairman and Managing Director, no other Director is concerned or interested in the resolution.

ITEM No. 6

Shri Nilesh Prakash Sanghvi is the son of Shri Prakash M. Sanghvi, Chairman and Managing Director. After passing GCSEs examination in Grade A, Shri Nilesh P. Sanghvi obtained degree in B.E.(honors) in Manufacturing Engineering and Management from University of Nottingham. He has also passed Engineering examination from Bellerby's College, Cambridge. He worked in different capacities during last years under pressure in fast moving and often stressful environment.

The Board of Directors in its meeting held on 13th June 2006 has approved subject to approval of the members of the Company and subject to the approval of the Central Government, if necessary, appointment of Shri Nilesh Prakash Sanghvi as Executive (Operations) in the Company with effect from 1st July 2006 on monthly salary of Rs. 15,028. "(Rupees Fifteen Thousand Twenty Eight Only)" and other allowances, perquisites and benefits as set out in the said resolution and with what is provided to other executives holding similar positions in the Company. He will be reporting to General Manager Kutch Division. Since the remuneration payable at present to Shri Nilesh Prakash Sanghvi is less than Rs.50,000/- per month, the approval of the Central Government is not required for payment of remuneration. However, such approval of Central Government will be sought for as and when required if the ceiling in remuneration as may be set out by the Government from time to time is exceeded by the Company.

The Directors recommend this resolution for the approval of the members.

Except for Shri Prakash M. Sanghvi, Chairman and Managing Director, no other Director is concerned or interested in the resolution.

Registered Office:
17, Rajmugat Society,
Naranpura Char Rasta,
Ahmedabad - 380 013.
20th July 2006

By the order of the
Board of Directors

V.C. Bhagat
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the Twenty Second Annual Report with Audited Accounts of the Company for the year ended 31st March 2006.

1. FINANCIAL RESULTS :

	(Rs. in Lacs)	
	2005-2006	2004-2005
Gross Sales and Income from Operation	34992.31	20664.51
Profit Before Depreciation and Tax	5448.47	2538.97
Less : Depreciation	738.96	436.04
Profit Before Tax	4709.51	2102.93
Less: Provision for Taxation	762.68	223.57
Deferred Tax Liability	592.56	554.15
Profit After Tax	3354.27	1325.21
Add: Balance brought forward from previous year	330.13	210.17
Amount available for appropriation	3684.40	1535.38
Appropriations:		
General Reserve	3000.00	1000.00
Proposed Dividend	225.00	180.00
Dividend Tax	31.56	25.25
Balance carried to Balance Sheet	427.84	330.13
Total	3684.40	1535.38

2. DIVIDEND:

Your Directors are pleased to recommend Dividend of Rs. 2.50 per Equity Share (25%) payable on 90,00,000 Equity Shares of the Company. This will absorb Rs. 256.56 lacs including Dividend Tax.

3. REVIEW OF OPERATIONS:

The Board of Directors has pleasure to inform you that for the year under review, your Company has reported a very strong and solid performance once again. All the economic indicators point to the fact that the economic growth in our country is reaching sustainable levels. The real GDP growth during the year 2005-06 was 8.1% and the manufacturing sector grew by 9.4%. In order to equip itself for the coming period of high growth and also to maintain its competitive edge, during the year under review your Company continued to focus on technology up gradation & absorption, energy conservation and development of alternate sources of raw-materials.

Net Income increased by 76.48% to reach a level of Rs. 319.19 crores in 2005-2006 from Rs. 180.86 crores in 2004-2005, whereas Net Profit after tax stood at Rs. 33.54 crores which represents 153% growth over the previous year figures. Your Company has achieved Export Sales of Rs. 54.41 crores which amounted to 17.22% of Net Sales.

4. FUTURE PROSPECTS:

Your Company continues to build further on its strengths and expand its domestic and global reach amongst the user industries. During the year under review, your Company has successfully executed the prestigious order

of Gujarat Water Supply and Sewerage Board valued Rs.60.83 crores. This has given the confidence to execute very large size orders in future, and in fact, the company has so far received orders aggregating to Rs. 200 crores from one of the largest industrial houses of the country for its mega project. These orders will be executed during this year.

On the direct export front also, several orders, including a large one for supply of tubes for desalination plant for Middle East from an European company have been received which will be supplied during the current financial year.

The outlook remains strong from our major markets, i.e. Refinery, Petrochemicals, LNG, Capital goods industry and Power plants.

The outlook in Stainless Steel and Carbon Steel segments is robust. Demand from our customers is strong and the capacities in certain product categories are fully booked for major part of the year. We expect enhanced utilization of the facilities for all the product segments as the year progresses.

We are committed and prepared to achieve our growth objectives systematically, efficiently and profitably. We are also committed on increasing the stakeholders' wealth through a long-term, sustainable growth plan and make your company the Best and the most efficient Pipes and Tubes manufacturing company in this part of the world.

5. IMPLEMENTATION OF PROJECTS:

A) THE KUTCH PROJECT:

The Kutch Project commenced commercial production during the year under review and production has stabilized for all the products except Hot Extruded Mother Pipes. Against the envisaged outlay of Rs. 63 crores, your company has spent Rs. 110 crores so far on the Kutch Project. The outlay has increased mainly because of addition of certain balancing equipments, one more Spiral SAW Pipe mill and backward integration project of S.S. Hot Extruded Mother pipes. The enhanced fund requirements have been met partially through internal accruals and partially through Rupee term loan.

During the current financial year, the Kutch unit is expected to contribute significantly to company's turnover and profitability.

B) FUTURE PLANS

In order to maintain the momentum of growth and to make the best out of the present opportunities in the domestic as well as export markets, your company is in the process of evaluating the various options available to it and plans to commence work on the next phase of growth during the current financial year.

**C) WIND POWER:**

Your Company has further invested an amount of Rs. 11.70 crores on two Wind Mills increasing the Wind Power Capacity by 2.50 MW making the total Wind Power Capacity at 8.50 MW during the year under review. With the addition of these Wind Mills, at present your Company meets 100% of its Power requirement through "Green Energy Generation", thus contributing in a small way to a greener and cleaner earth for the coming generation.

6. MANAGEMENT DISCUSSION AND ANALYSIS:

Management discussion and analysis report is set out as separate Annexure A.

7. DIRECTORS:

In accordance with the requirement of the Companies Act, 1956 and Article 170 of the Articles of Association of the Company, Shri P. M. Mehta is liable to retire by rotation and is eligible for re-appointment. However he is not willing to be re-appointed.

The Board of Directors places on record its sincere appreciation for the valuable guidance and excellent directions provided by Shri P. M. Mehta in the capacity as a Director during his association with the Company.

8. DEPOSITS:

Your Company has not invited or accepted any deposits from the shareholders and public during the year within the meaning of Section 58(A) of the Companies Act, 1956.

9. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure "B" forming part of the Report.

10. PARTICULARS OF EMPLOYEES:

The particulars of employees under the Companies (Particulars of Employees) Rules, 1975 as amended upto date which are required to be included in the Directors' Report pursuant to Section 217 (2A) of the Companies Act, 1956 are attached herewith as per Annexure 'C'.

11. AUDITORS:

M/s. Mehta Lodha & Company, Chartered Accountants, retire but as they are eligible for re-appointment, your Directors recommend that they be re-appointed, as Statutory Auditors of the Company until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be fixed by the Members.

12. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:

The Board of Directors hereby states and confirms that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 profits of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the Annual Accounts on a going concern basis.

13. CORPORATE GOVERNANCE REPORT:

A separate report on Corporate Governance is enclosed as part of this Annual Report and marked as Annexure "D". Requisite Certificate from the Statutory Auditors of the Company regarding Compliance of Corporate Governance as stipulated under the Revised Clause 49 of the Listing Agreement is annexed to the report of Corporate Governance.

The Board has formulated Code of Conduct for all Board members and Senior Management of the Company and they have affirmed compliance during the year under review.

The Board has received CEO / CFO Certification under Clause V of the Revised Clause 49 of the Listing Agreement.

14. ACKNOWLEDGEMENTS:

The Directors hereby place on record their commendation of the valuable contribution given by the employees. The Directors also express their gratitude to the Shareholders, Customers, Suppliers, Banks, Financial Institutions and the Central and State Governments for their unwavering support to the Company.

For and on behalf of the Board of Directors

Ahmedabad
13th June 2006

Prakash M. Sanghvi
Chairman & Managing Director



Annexure-A MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL SCENARIO

The Indian economy is showing signs of reaching sustainable levels of growth. The real GDP grew at 8.1% and the manufacturing sector grew by 9.4% in the year 2005-06. The infrastructure sector has received further impetus from the Union Budget 2006-07 and is expected to attract further investment including through FDI route in respect of natural gas/LNG pipelines particularly, where relaxation of FDI norms has been announced.

The petrochemical, capital goods and power sectors, which are company's major markets, have been on a bullish trend and lots of investments have been announced/being made in these sectors within the country and overseas also.

Your Company is present in both the segments of Pipes & Tubes Industry, namely:

- (a) Stainless Steel Tubes and Pipes
- (b) Carbon Steel Tubes and Pipes.

S.S. Tubes and Pipes are typically used in Heat Exchangers, Boilers, Condensers, Refrigeration, Instrumentation, Hydraulics, Fuel Injection, Exhaust Systems for Automobiles, General Piping for Power Plants, Space Applications and Special Piping for Nuclear Applications. The major user industry segments are Petrochemicals, Fertilizer, Refinery, Chemical, Power Plants, Sugar, Pump, Automobile, Food and Dairy, Paper, Pharmaceutical, Nuclear, Aeronautics, Space Research Centers, Atomic Energy, Ship Building, Railway Coaches etc. Stainless Steel has much superior metallurgical properties and is preferred metal in all the critical applications/applications involving transportation of corrosive liquids.

On the other hand, CS Pipes are primarily used for continuous transportation of large quantities of oil, natural gas and water over the long distances and are more economical than other means of transport because of only one time costs involved in laying down the network and minimum cost of operations and maintenance. Apart from the above, CS Pipes also find application in:

- i) On shore and off-shore Drilling Platforms
- ii) Casing Pipes, Structural, etc
- iii) As project piping in large petrochemical and refinery projects

FUTURE OUTLOOK & OPPORTUNITIES

For the third consecutive year, the Indian Economy is surging ahead with robust rates of growth. Your Company is present in the Carbon Steel as well as Stainless Steel pipes and Tubes and has proven its expertise to deliver highest quality products

on time. Your company is on the approved vendor list of all the hydrocarbon majors such as Shell, Total, Chevron, Exxon Mobil, Agip KCO, Bectel, BASF, TOYO Eng., Aker Kvaerner, Linde, Chiyoda, Dow Chemicals, BTT France etc. and is the preferred supplier, for many reputed EPC contractors. In the domestic market, the Company continues to maintain its leadership status as a quality supplier of project pipes and tubes to all the major Refinery/Petrochemical companies, Capital goods manufacturers and Power Plants.

The Government maintained pace of reforms and the Bharat Nirman Programme was unveiled for upgrading rural infrastructure. This initiative aims to strengthen industrial economies and provide foundation to sustain high rates of growth of your Company. Bharat Nirman Project has 6 components: Irrigation, Roads, Water Supply, Housing, Rural Electrification and Rural Connectivity. Under this project there is a target to supply safe drinking water to 55,067 habitations with an investment of Rs. 1,74,000 crore for the next four years.

Sustainability is now recognized as systematic concept that affects life at every level. The Stakeholders including Equity Investors will look for the response of Companies that plan for longer term. Employees would desire to work for global organizations that they can be proud of. Consumers will pick out goods manufactured by those Companies that demonstrate greater environmental sensitivity. Every organization has to improve and to be able to create and deliver sustainable values. Each Company has to abide by certain values that govern every aspect of its functioning.

India is focusing on increasing FDI to sustain growth. The two most important issues are Employment Generation and Augmentation of purchasing power in rural area. The world is large enough and there are enough private capital inflows to fulfill the aspirations of India, which can achieve 10-12% growth. There is an improvement in efficiency and productivity. Building Infrastructure through Public-Private partnerships will encourage market growth in rural India and boost exports of agricultural products. Indian economy has become more resilient and robust and therefore is now fastest growing free market democracy in the world. Transportation through pipelines is economical as well as environment-friendly. There is huge market potential for pipe manufacturers both within India and abroad.

QUALITY CONTROL

The Company's achievements are mainly due to adherence to strict quality standards. This has been achieved through our efforts to strike the balance between resources and technology to develop products at a level of excellence at par with international standards. The quality standards are taken care from the initial stage of production to ensure high end product quality.



INTERNAL CONTROL SYSTEM

The Company has adequate internal control system in operation commensurate with the size and nature of its business for ensuring efficiency of operations and protection of company's assets.

The internal audit is being carried out by a reputed firm of Chartered Accountants, which examines the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements. The Audit Committee formed by the Company reviews on periodical basis the reports of the internal auditors and compliance with the Company's policies, procedures and prevailing laws.

INDUSTRIAL RELATION & HUMAN RESOURCES

The Company has a structured performance management system for its employees, which includes Key Result Areas and training need identification of individuals besides performance measurement in qualitative and quantitative terms. Based on the training need identification, regular training programmes are being conducted by the company, where the employees are directly exposed to the latest developments in their respective functional area. The training also covers areas of development of individuals in soft skills i.e. safety, communication, time management etc. The company continues to believe in its philosophy to provide its employees friendly working environment and a performance driven culture.

The company believes that sound HR practices are important assets in enhancing competency of the people and developing them professionally to be self-driven to give valuable contribution in achieving goals of the company in the competitive age.

RISK FACTORS

The industry is facing competition from big players who are producing on large scale and have the advantage of economies in cost; facing challenges from cheaper imports and the industry is also facing risks from unorganized sector. However, your company does not foresee any risk due to its concentration on quality commitment for better products and prompt after sales service, coupled with a unique position as being present in both Stainless Steel as well as Carbon Steel segment.

CAUTIONARY STATEMENT

The statement given in this report, describing the Company's objectives, estimates and expectations and future plans may be construed forward looking statement within the meaning of applicable laws and/ or regulations. Actual performance may differ materially from those either expressed or implied. Important factors that could affect the working of the Company include economic conditions, domestic as well as international, affecting demand and price conditions; raw material prices; interest costs; changes in Government policies affecting investments; changes in the Government regulations, tax laws, and other statutes; high prices of petro products affecting energy and transportation cost, etc.

ANNEXURE 'B' TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2006 ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956.

(A) CONSERVATION OF ENERGY:

- (a) Energy Conservation
The Company has given highest priority for minimization of energy consumption by putting following continuous efforts during the year under review:
 - 1) Electric motors, which were operating at 30% of their rated capacity are replaced by new motors to get 70% rated capacity.
 - 2) Automatic Power Factor Control Panels have been installed.
 - 3) Overhead Tanks are installed with Automatic Sensors for on-off of water pumps.
 - 4) Switching off operation is introduced with timer so that if plant is idle for some reason, motor would be switched off automatically.
 - 5) The project for the use of Solar Energy for lighting is under study.
 - 6) Street Light operation is made automatic through light sensing devices.
- (b) Additional investment:
No separate A/c is maintained

- (c) Impact of Measures (a) and (b) above:
Substantial Energy saving as compared to the previous power supply system.

- (d) Total Energy Consumption as per form "A":
Not applicable

(B) TECHNOLOGY ABSORPTION

- (e) Efforts made in Technology Absorption as per Form B:
Form B enclosed.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- (f) Activities relating to exports:
Your Company has exported Pipes to Germany, France, U.K., Egypt, U.S.A., Holland, U.A.E., Belgium, Indonesia and Australia.
- (g) Total foreign exchange earnings used and earned.
Total Foreign exchange earnings (FOB)
Rs. 5440.93 lacs (Rs. 2398.06 lacs).
Total Foreign exchange outgo Rs. 76.69 lacs
(Rs. 54.89 lacs)