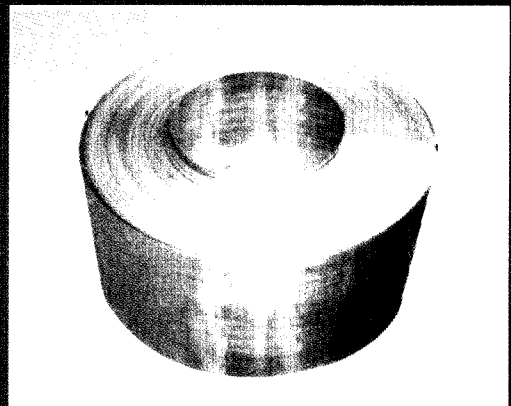
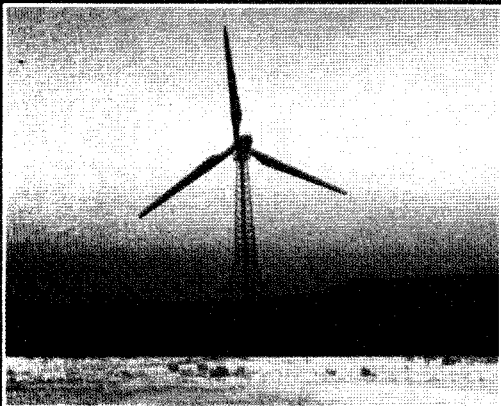




14<sup>th</sup>  
ANNUAL REPORT  
2004-2005





<b>BOARD OF DIRECTORS :</b>	<b>SHRI A.K. KATARIA</b>	<b>CHAIRMAN</b>
	<b>SHRI A. D. SANGHVI</b>	<b>MANAGING DIRECTOR</b>
	<b>SHRI UGAMRAJ M. HUNDIA</b>	<b>JOINT MANAGING DIRECTOR</b>
	<b>SHRI P.S. JAIN</b>	<b>JOINT MANAGING DIRECTOR</b>
	<b>SHRI ASHWIN A. KATARIA</b>	<b>WHOLE-TIME DIRECTOR</b>
	<b>SHRI BABULAL S. JAIN</b>	<b>DIRECTOR</b>
	<b>SHRI CHANDRESH V. SHAH</b>	<b>DIRECTOR</b>
	<b>SHRI PAWANKUMAR R. MURARKA</b>	<b>DIRECTOR</b>
	<b>SHRI AMOL DALAL</b>	<b>DIRECTOR</b>

**AUDITORS**

**: M/S MEHTA LODHA & CO.  
CHARTERED ACCOUNTANTS**

**BANKERS**

**: UNION BANK OF INDIA  
STATE BANK OF INDIA**

**REGISTERED OFFICE**

**: 26, MANGAL MURTI COMPLEX,  
NR. SHIV CINEMA, ASHRAM ROAD  
AHMEDABAD-380 009**

**WORKS**

**: SURVEY NO.245  
VILLAGE : SARI  
AHMEDABAD-BAVLA HIGHWAY  
TALUKA : SANAND  
DIST : AHMEDABAD.  
PIN CODE - 382 220.**



## NOTICE

**NOTICE** is hereby given that the 14<sup>th</sup> Annual General Meeting of the members of **REAL STRIPS LIMITED** will be held on 17th September 2005, at the Tulsi Hall, Hotel Nalanda, Mithakhali Six Road, Ellisbridge, Ahmedabad – 380 006 to transact the following business :-

### ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2005 and Profit and Loss Account for the year ended on 31st March 2005 together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri Prakashraj Jain who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Shri Ugamraj Hundia who retires by rotation and is eligible for reappointment.
4. To appoint the Auditor to hold office from the conclusion of this 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 (s) the following resolution as an ordinary Resolution:

**"RESOLVED THAT** pursuant to section 309,310 and all other applicable provisions, if any, and schedule XIII to the companies Act.1956, approval be and is hereby accorded to the revision of remuneration of Shri Arvind D. Sanghvi, Managing Director of the Company in the following manner with effect from 1st April, 2005."

- a) Basic salary : Rs.40, 000/- (Rupees Forty thousand only per month).

**"RESOLVED FURTHER** that all other terms and conditions mentioned in the resolution passed by the shareholders in their meeting held on 30.09.2004, shall remain unchanged."

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 section 309,310 and all other applicable provisions, if any, and schedule XIII to the companies Act.1956, approval be and is hereby accorded to the revision of remuneration of Shri Prakashraj Jain, Joint Managing Director of the Company in the following manner with effect from 1st April, 2005."

- a) Basic salary : Rs.40, 000/- (Rupees Forty thousand only per month).

**"RESOLVED FURTHER** that all other terms and conditions mentioned in the resolution passed by the shareholders in their meeting held on 30.09.2004, shall remain unchanged."

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 section 309,310 and all other applicable provisions, if any, and schedule XIII to the companies Act.1956, approval be and is hereby accorded to the revision of remuneration of Shri Ugamraj Hundia, Joint Managing Director of the Company in the following manner with effect from 1st April, 2005."

- a) Basic salary : Rs.40, 000/- (Rupees Forty thousand only per month).

**"RESOLVED FURTHER** that all other terms and conditions mentioned in the resolution passed by the shareholders in their meeting held on 30.09.2004, shall remain unchanged."

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

**"RESOLVED THAT** pursuant to section 309,310 and all other applicable provisions, if any, and schedule XIII to the companies Act.1956, approval be and is hereby accorded to the revision of remuneration of Shri Ashwin Kataria, Whole-time-Director of the Company in the following manner with effect from 1st April, 2005."

- a) Basic salary : Rs.40, 000/- (Rupees Forty thousand only per month).

**"RESOLVED FURTHER** that all other terms and conditions mentioned in the resolution passed by the shareholders in their meeting held on 30.09.2004, shall remain unchanged."

**By Order of the Board**

Place: Ahmedabad  
Date: 29<sup>th</sup> June, 2005

Shri A. K. Kataria  
Chairman



## NOTES

1. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself on a poll and that a proxy need not be a member. Proxies, in order to be effective, forms must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.**
2. The explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business as per Item No.5 to 8 hereinabove, is annexed hereto.
3. Additional information pursuant to Clause 49 of the Listing Agreement with stock exchanges, on Directors recommended for re-appointment at the Annual General Meeting, is given in this notice.
4. The Register of Beneficial Owners, Register of Members and Share Transfer Book of the Company shall remain closed from 16<sup>th</sup> August 2005 to 19<sup>th</sup> August 2005, both days inclusive.
5. Members / proxies should bring their copy of the Annual Reports and Accounts along with Attendance Slip (duly completed) when attending the Meeting.
6. Members who hold shares in dematerialised form are requested to write their Client – ID and DP– ID Numbers and those who hold shares in Physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
7. Details of Directors seeking re-appointment as per Item No.2 and 3 of the Ordinary Business in ensuing Annual General Meeting to be held on 17<sup>th</sup> September, 2005 are as under :

<b>Name of Directors</b>	<b>Prakashraj Jain</b>	<b>Ugamraj Hundia</b>
Date of Birth	07.07.1956	07.10.1954
Date of Appointment	22.11.1990	19.09.1990
Expertise in specific functional areas	Commercial	Technical
List of outside Directorship Held	1	1
Chairman / Member of the Committee of the Board of Directors of the Company	2	NIL
Chairman / Member of the Committee of the Board of Directors of the other Public Limited Company	NIL	NIL

## ANNEXURE TO NOTICE

Explanatory statement pursuant to section 173 of the companies act, 1956.

### **RESOLUTION NO. 5 TO 8**

Shri Arvind Sanghvi, Shri Prakashraj Jain and Shri Ugamraj Hundia are the Directors of the Company from the inception. Shri Ashwin Kataria has been appointed as the whole time Director with effect from March 8, 2004.

In view of their status in the industry, standard and cost of living, time labour and effort put in by them towards managing affairs of the Company, it is proposed to revise their remuneration with effect from April 1st, 2005.

As per section 1 of part-II Schedule XIII to the Companies Act, 1956, if the Company has adequate profits, the Board may fix / revise remuneration within the ceiling as provided in section 198 and 309 of that act which is 10% of the net profits. In terms of section 310 read with schedule XIII to the companies Act, 1956, the Board can revise the remuneration subject to approval of the shareholders in general meeting. Therefore, the Board recommends this resolution for your approval.

The terms of revision of remuneration given in the said resolution may be treated as an abstract of terms of remuneration of the said directors under section 302 of the companies Act, 1956.

Except Shri Arvind Sanghvi, Prakashraj Jain, Ugamraj Hundia, Ashwin Kataria and Shri A.K. Kataria, no other Director is, in any way, interested or concerned in the respective resolutions.

Place : Ahmedabad  
Date : 29th June, 2005  
Registered Office  
26, Mangal Murti Complex,  
Ashram Road,  
Ahmedabad – 380009.

By Order of the Board

Shri A. K. Kataria  
Chairman





## DIRECTOR'S REPORT

To,

The Members,

Your Directors have pleasure in presenting the 14<sup>th</sup> ANNUAL REPORT together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2005.

### (1) ACCOUNTS AND FINANCIAL MATTERS :-

	2004-2005 (Rs. In lacs)	2003-2004 (Rs. In lacs)
Income for the year was	4901.95	4064.23
The year's working shows a Gross Profit of	714.04	559.19
Out of which, Provisions have been made for :-		
Less : Depreciation	438.16	328.95
Less : Provision for Taxation :		
(i) Current Income Tax	53.15	27.60
(ii) Deferred Tax	37.74	32.30
Profit after Income Tax	184.99	170.34
Add /(Less) : Prior Period adjustment	(2.13)	0
	182.86	170.34
Add : Opening Balance of Profit & Loss Account	519.09	348.75
Less : Proposed Dividend	33.80	0
Less : Deferred Tax	4.42	0
<b>Net Profit carrier forward to Balance Sheet</b>	<b>663.73</b>	<b>519.09</b>

### (2) DIVIDEND :-

Your Directors are happy to recommend dividend @10% for the year under review.

### (3) OPERATIONS :-

Expansion cum modernization programme implemented during the past few years is now yielding result. Turnover has gone up from Rs.4064.23 lacs in the previous year to Rs.4901.95 lacs in the year under report. Full utilization of the capacity has resulted into improved operating margin. Gross profit before depreciation and interest has gone up to Rs.869.99 lacs showing an increase of 21% over the previous year.

The demand for steel products has seen a spurt in the international market. Previously, the domestic utensils sector was the largest consumer of the company's product. However the end uses of the company's product is also getting diversified with greater awareness of the use of stainless steel in Furniture, Automobile and wrist watch industry. The modernization programme of the company has resulted in the production of high grade stainless steel coils which finds its place in the Process industries, Chemical Industries and Food Processing industries. Your directors are hopeful to achieve better performance during the current year.

### FUTURE PROSPECTS

The Company has undertaken an expansion project. One more rolling mill is being installed. After completion of the same, their stalled capacity will go up from the present 8000 MTPA to 12000 MTPA. It is the endeavor of the directors to complete the expansion during the third Quarter of current fiscal year.

The application of, and particularly stainless steel coil is gaining more and more acceptance in a variety of industrial and domestic use. New and innovative uses of stainless steel coils are being made.

The price of HR coils, which is the basic raw material of the Company have stabilized. Looking at the international scenario it is expected that price of HR coils will have declining trend. Any decrease in the price of HR coils will be to the benefit of the Company.

### GREEN ENERGY

Power tariff in the state of Gujarat is one of the highest in the country. Consumption of power in steel industry is very high. Cost of power consumption is a major cost of component next to raw material cost. Cost of power consumption has been increasing steadily for the past many years, which has been a cause of concern for the consumers. The Government has also been encouraging the installation of wind turbine generators. The Banks also have been advancing loan at lower rate of interest.

Last year Company had installed a wind mill of 1.25 MW capacity. Encouraged by the benefits of wind mill during the year one more wind mill of 0.350MW has been installed. During the year under review Company had consumed 2404415 unit of electricity. Where as the wind mill had generated 2447176 units, which are set off against the energy bill paid to the state electricity Board.

**(4) INDUSTRIAL RELATIONS :-**

Industrial relations remained cordial throughout the year. Your Directors place on record their deep appreciation of the contribution made by the employees at all levels. Measures have been taken for Human Resources Development.

**(5) DIRECTORS :-**

Shri Prakashraj Jain and Shri Ugamraj Hundia retire from the Board by rotation and being eligible, offer themselves for re-appointment.

**(6) INSURANCE :-**

The Assets of the company have been adequately insured.

**(7) PUBLIC DEPOSIT :-**

During the period under review the company has not mobilized resources by way of deposit from the public.

**(8) CORPORATE GOVERNANCE REPORT :-**

Pursuant to clause 49 of the Listing Agreement of the company with the Stock Exchanges, corporate Governance report is hereby attached as annexure-1.

**(9) DIRECTOR'S RESPONSIBILITY STATEMENT :-**

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

- 1) that in the preparation of the Account for the financial year ended 31<sup>st</sup> March, 2005 the applicable standards have been followed along with proper explanation relating to material departures ;
- 2) that the Directors have 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 as at 31<sup>st</sup> March 2005 and of the profit of the company for the year ending on that date ;
- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities ;
- 4) that the Directors have prepared the accounts for the financial year ended on 31<sup>st</sup> March, 2005 on a going concern basis.

**(10) AUDITORS**

M/s Mehta Lodha & Co. Chartered Accountants, retire as Auditor of the company and being eligible, offer themselves for re-appointment. A certificate is obtained from them that their re-appointment, if made, will be within the limit prescribed under section 224(1B) of the Companies Act, 1956.

**(11) ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.**

As required under section 217 (1) (e) of the Companies Act, 1956 and the rules made therein, the concerned particulars relating to Energy conservation, Technology Absorption, Foreign Exchange Earning and outgo are given, in Annexure-II, which is attached hereto and forms part of the Director's Report.

**(12) PARTICULARS OF EMPLOYEES**

Particulars of employees in accordance with the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules, 1975 as amended are not given as none of the employees qualify for such disclosure.

**(13) ACKNOWLEDGEMENT**

The directors extend their sincere thanks to the Bankers, Financial Institutions, Central Government and State Government Authorities and all associated with the company for the co-operation.

The directors also place on record the efforts made by the employees, workers and all other associated with the company for making their organisation successful.

Place : Ahmedabad  
Date : 29<sup>th</sup> June 2005

**For and on behalf of the Board**

A. K. Kataria  
Chairman



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **(A) INDUSTRY STRUCTURE AND DEVELOPMENTS**

Stainless steel production in India started in the late 60s with production of approx. 15000 tonnes which gradually increased to 24000 tonnes in Mid 70s. In 1978 Government of India allowed private sector to produce stainless steel. Before 1978 only 15000 Mt of Stainless steel was produced per year by the state owned units and the demand for cold rolled materials was met by imports through the State Trading Corporation.

Stainless steel production has taken a giant leap from a measly 15000 Mt p.a. to 1.4-1.5 Million Mt p.a. which makes India as one of the fastest growing market of steel in the world.

Comparing it with aluminum, plastics, and steel, all along its ongoing tenure, SS is on the way up, as far as its popularity and extent of use is concerned.

Share of stainless steel for domestic utensil sector was 90% in 1990 - 91 and today it is about 75% where as usage in industrial sector compared to 36.50% by the developed countries is mere 10%

Demand for SS is rising at the rate of 5% p.a. Currently the demand is 1.6 Million tonnes p.a which is targeted to increase to 2 Million tonnes within next two years which indicates bright prospects for our industry.

### **(B) OPPORTUNITIES & THREATS**

#### **OPPORTUNITIES :-**

- (a) India is a vast market and offers tremendous potential for future. The per capita consumption of stainless steel in India is still one of the lowest in the world at 0.70 Kg as compared to 14-15 Kg in the developed countries but it is growing very rapidly.
- (b) S.S products are replacing M.S products because of its versatility resulting into increase in end uses, which indicates bright prospects for the company and the introduction of low cost gas fuel would help in reducing the cost of production.
- (c) Promoters expertise in the field of manufacturing and marketing of the product.
- (d) Committed marketing force.
- (e) The strength of intrinsic technological superiority in Company's range of products.

#### **THREATS :-**

- (a) Predator and non-competitive pricing.
- (b) Changes in government policies may adversely affect the working of the company.
- (c) Increasing production costs.
- (d) Lack of professionalism in the trade.
- (e) High Capital requirement.
- (f) Technological Obsolescence.
- (g) Non - Availability of Skilled Workforce





**(C) PRODUCT WISE PERFORMANCE**

The company deals in a single product, i.e. cold rolled stainless steel coils. The production has increased from 8440 M.T (annualized) in the previous year to 10300 M.T in the current year, an increase of 22.04%

**(D) OUTLOOK**

Stainless Steel production in India is rapidly growing every year. India has emerged as the largest producer of 200 series low nickel stainless steel in the world. There is greater awareness on the use of stainless steel in the building and construction sector. Moreover the use of Stainless steel flat products are also increasing in the Process Industries, Chemical Processing, Oil & Gas, Petrochemicals, Food Processing Industries, Auto & Aerospace industries, Railways and Telecommunication industries

Given your company's strong fundamentals and its business focus, we are sure, your company will continue to sustain growth in revenues and earnings.

Company has put up wind mills with the capacity of 1.25 MW & 0.350 MW respectively, to help the drive of alternative energies and save power cost for us.

The achievement of your company stands on the ground of the intellectual and professional commitment that our people brought to their work. Besides operational efficiency and management skills, honed under the most demanding and competitive conditions, it is the spirit of all our employees that are bonded cohesively with the organization.

**(E) RISKS AND CONCERNS**

- a) Over dependence on single product.
- b) Force of competition.
- c) High risk of credit and bad debts.
- d) Risk of inventory build up.
- e) The Volatility of steel prices & cyclical nature of the industry

**(F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has been ISO – 9001 : 2000 certified and it maintains its own internal control system and procedures to commensurate with its size and nature of business so as to have a better and clear working. The internal control systems are supported by internal audit carried out by a professional audit firm at the Registered Office as well as at Works. The firm carries out extensive audit throughout the year covering almost all the areas of operation. The adequacy and effectiveness of the Internal Control, as well as compliance with the laid down systems and policies are comprehensively monitored by the internal auditors. The management reviews the findings of internal auditors on regular basis by the way of having monthly review meetings.

**(G) HUMAN RESOURCES :**

The Company believes in employee's involvement in achieving the organizational objectives and focuses its efforts to upgrade the skills of its workforce to take up the challenges in present competition. Our training system provides need-based training to our employees. We are putting efforts to make our appraisal system more effective to cater the financial and career aspirations of employees to increase organizational effectiveness and efficiency.

Our Industrial Relations are good and harmonious. Both Management and Workgroup take positive approach and come to mutual understanding, wherever necessary for betterment of the organization.

Our employees are our most valuable asset and we believe that your company's work force is the pivot around which our success revolves.



## AUDITOR'S REPORT

TO  
THE MEMBERS OF,  
REAL STRIPS LIMITED,

1. We have examined the attached Balance Sheet of **REAL STRIPS LIMITED** as at 31st March, 2005 and also the Profit & Loss Account and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Govt. of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and as per the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in the paragraph 4 & 5 of the said order, for the year under consideration.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we broadly report that :
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
  - (iii) The Balance Sheet and Profit & Loss Account are in agreement with the Books of Account.
  - (iv) In our opinion, the Balance Sheet and the profit & loss Account comply with the Accounting Standards referred to in Sub-Section (3C) of section 211 of the Companies Act, 1956, except Accounting Standard-15, relating to retirement benefits and to the extent applicable.
  - (v) As per the representation made by the Company and all its Directors, as on 31<sup>st</sup> March 2005, no directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act ;
  - (vi) In our opinion and according to the best of our information and explanations given to us, and subject to:
    - a) Note No.2 of schedule – 14 relating to third party balance confirmation and others;
    - b) Note No.3 of schedule – 14 relating to retirement benefits which are accounted for on payment basis. The extent of non compliance in value terms is not ascertainable.

The said Balance Sheet and Profit and Loss Account read together with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principle generally accepted in India :

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005 ;
- b) in the case of Profit and Loss Account, of the **PROFIT** for the year ended on that date and
- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**FOR, MEHTA LODHA & CO.**  
Chartered Accountants

**PRAKASH D. SHAH**  
**PARTNER**  
**M No. 34363**

Place: Ahmedabad  
Date : 29th June, 2005.