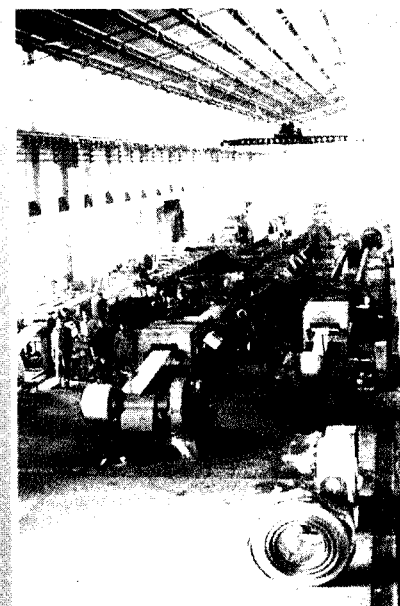
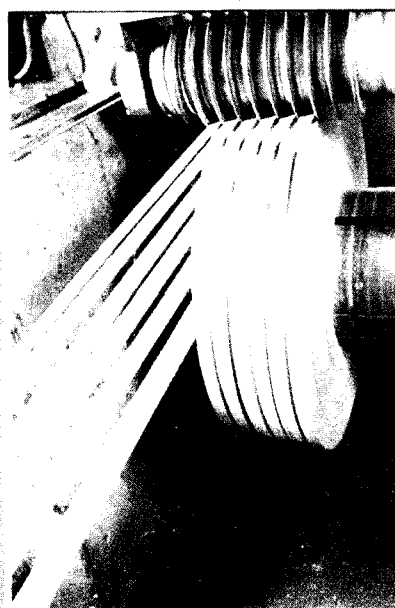
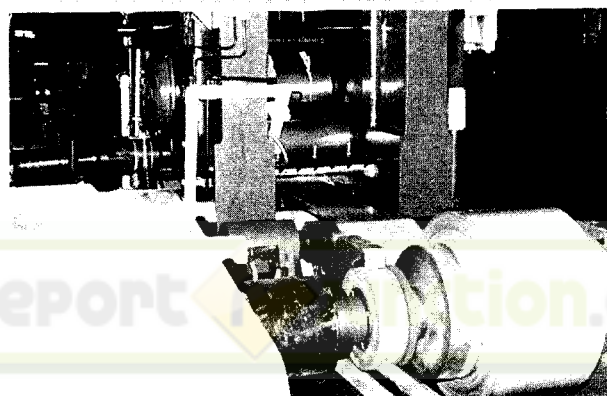
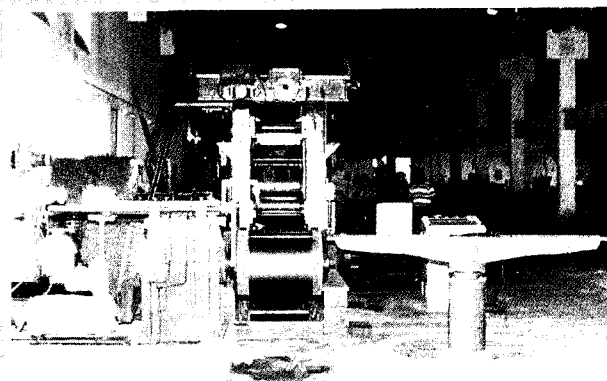
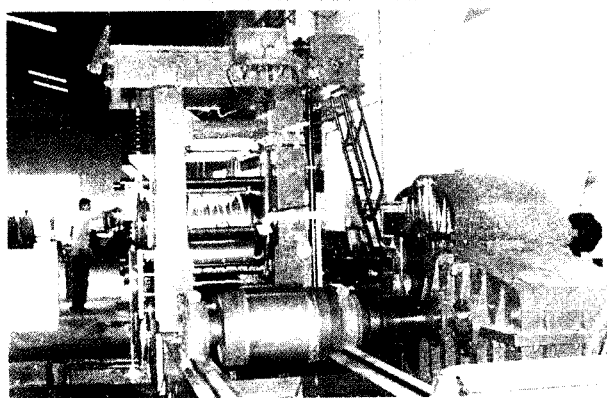


# 15<sup>th</sup> ANNUAL REPORT 2005-2006



  
**REAL**





**BOARD OF DIRECTORS :****SHRI A.K. KATARIA****CHAIRMAN****SHRI A. D. SANGHVI****MANAGING DIRECTOR****SHRI UGAMRAJ M. HUNDIA****JOINT MANAGING DIRECTOR****SHRI P. S. JAIN****JOINT MANAGING DIRECTOR****SHRI ASHWIN A. KATARIA****WHOLE-TIME DIRECTOR****SHRI BABULAL S. JAIN****DIRECTOR****SHRI CHANDRESH V. SHAH****DIRECTOR****SHRI PAWANKUMAR R. MURARKA****DIRECTOR****SHRI AMOL DALAL****DIRECTOR****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.  
PIN CODE -380 009

**WORKS :**

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

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**NOTICE**

NOTICE is hereby given that the 15<sup>th</sup> Annual General Meeting of the members of REAL STRIPS LIMITED will be held on Friday, 29<sup>th</sup> September 2006 at the Chandan Hall, Hotel Nalanda, Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006. at 04.30 p.m. to transact the following business:-

**ORDINARY BUSINESS**

1. To consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2006 and Profit and Loss Account for the year ended on 31<sup>st</sup> March 2006 together with Director's and Auditor's Report thereon.
2. To Declare Dividend.
3. To appoint a Director in place of Shri Ashwin A. Kataria who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Amol Dalal who retires by rotation and is eligible for re-appointment.
5. 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.

Place: Ahmedabad  
Date: 29<sup>th</sup> June 2006

By Order of the Board

**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. 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.
3. The Register of Beneficial Owners, Register of Members and Share Transfer Book of the Company shall remain closed from 18<sup>th</sup> September 2006 to 23<sup>rd</sup> September 2006, both days inclusive.
4. Members / proxies should bring their copy of the Annual Reports and Accounts along with Attendance Slip (duly completed) when attending the Meeting.
5. 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.
6. Details of Directors seeking re-appointment as per Item No. 3 and 4 of the Ordinary Business in ensuing Annual General Meeting to be held on 29<sup>th</sup> September, 2006 are as under:

Name of Directors	Shri Ashwin Kataria.	Shri Amol Dalal.
Date of Birth	13.02.1970	13.04.1956
Date of Appointment	01.04.2004	01.04.2004
Expertise in specific functional areas	Administration.	Commercial.
List of outside Directorship Held	NIL	NIL
Chairman / Member of the Committee of the Board of Directors of the Company	NIL	NIL
Chairman / Member of the Committee of the Board of Directors of the other Public Limited Company	NIL	NIL

Place : Ahmedabad  
Date : 29<sup>th</sup> June 2006

By Order of the Board

**Shri A.K. Kataria**  
Chairman

**Registered Office**

26, Mangal Murti Complex,  
Nr. Shiv Cinema,  
Ashram Road,  
Ahmedabad- 380 009.



## DIRECTOR'S REPORT

To,

The Members,

Your Directors have pleasure in presenting the 15<sup>th</sup> ANNUAL REPORT together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2006.

### 1) ACCOUNTS AND FINANCIAL MATTERS:-

	2005-2006 (Rs. In Lacs)	2004-2005 (Rs. In Lacs)
Income of the year was.	5646.83	4901.95
The year's working shows a Gross Profit of	538.47	714.04
Out of which, Provisions have been made for :-		
Less: Depreciation	259.78	438.16
Less: Provision for Taxation:		
(i) Current Income Tax, Wealth Tax, Fringe Benefit Tax.	55.00	53.15
(ii) Deferred Tax.	3.95	37.74
Profit after Income Tax	219.74	184.99
Add/(Less): Prior Period Adjustment	13.74	(2.13)
	233.48	182.86
Add: Opening Balance of Profit & Loss Account	663.74	519.09
Less: Transfer of General Reserve.	100.00	0.00
Less: Proposed Dividend.	33.80	33.80
Less: Deferred Tax.	4.74	4.42
<b>Net Profit Carried forward to Balance sheet</b>	<b>758.68</b>	<b>663.74</b>

### 2) DIVIDEND :-

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

### 3) OPERATIONS :-

During the year review the turnover has gone upto Rs. 5646.83 Lacs, an increase 15.20% over the previous year. Profit after tax has also gone up 18.78% of over the previous year.

#### a. FUTURE PROSPECTS :-

Your Directors are happy to inform you that the expansion project is on advance stage of completion. Trial runs are expected to be completed by end of September 2006. Barring unforeseen circumstances, your company will get the six months production benefit during the year 2006-07. The company will be able to add an additional grade of S.S Coil. This coil which is without Nickle has a potential for large export market. The quality of the product also will be better.

#### b. GREEN ENERGY :-

As against the electricity consumption of 3425926 units, the wind mills installed by the company has generated 2558324 units depending upon the increase in the power consumption, the company will explore the possibility of increasing the investment in the wind mills.

### (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 Ashwin Kataria and Shri Amol Dalal 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, the Management Discussion & Analysis, Report on Corporate Governance, and certification by the Managing Director (CEO) confirming compliance by all the Board Members and Senior Management personnel with Company's code of Conduct are made a part of the Annual Report. A certificate from Auditors, of the company regarding compliance of conditions of Corporate Governance is given in Annexure-1, which is attached hereto.

**(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, 2006 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 2006 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, 2006 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 organization successful.

**For and on behalf of the Board**

Place : Ahmedabad

Date : 29<sup>th</sup> June 2006

A. K. Kataria

Chairman



## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) INDUSTRY STRUCTURE AND DEVELOPMENTS

Stainless steel production in India started in the late 60's with production of approx. 15000 tonnes which gradually increased to 24000 tonnes in Mid 70's. 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 again by the State Trading Corporation.

Stainless steel production has taken a giant leap from a measley 15000 tonnes per annum to 1.5 to 1.6 million tonnes per annum 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 was for domestic utensil sector was 90% in 1990-1991 and today it is about 75% whereas usage in industrial sector compared to 36.50% by the developed countries is mere 10%.

Demand of SS is rising at the rate of 5% p.a. Currently the demand is 1.7 Million tonnes p.a. which is targeted to increase 2.5 Million tonnes within next two years Which indicates bright prospects of our industry.

### (B) OPPORTUNITIES & THREATS

#### OPPORTUNITIES :-

- 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 1.10 kgs as compared to 15-20 kgs in the developed countries but it's continuously growing very rapidly.
- 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.
- Promoters expertise in the field of manufacturing and marketing of the product.
- Committed marketing force.
- The strength of intrinsic technological superiority in Company's range of products.

#### THREATS :-

- Predator and non-competitive pricing.
- Changes in government policies may adversely affect the working of the company.
- Increasing marketing costs,
- Lack of professionalism in the trade.
- High Capital requirement.
- Technological Obsolescence.
- 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 of company was 7530 M.T.

### (D) OUTLOOK

#### STEEL DIVISION

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, Petro-Chemicals, Food-Processing Industries, Auto Industries, Rail Industries, Telecommunication Industries and Electronic 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.

#### **WIND MILL**

Company has put up windmills with the capacity of 1.25 MW and 0.35 MW respectively, to help the drive of alternative energies and save power cost to 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) Risk of inventory build up.
- d) The volatility of steel prices & cyclical nature of the business.

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

The Company has been ISO-9001:2000 certified and maintains its own internal control systems 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 at the Registered Office as well as at Works. 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 audited the attached Balance Sheet of **REAL STRIPS LIMITED** as at 31st March, 2006, 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 as amended by the Companies (Auditor's Report) amended order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to 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 broadly 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, to the extent applicable, subject to note No.3 of schedule-15, regarding treatment of retirement benefits (Accounting Standard – 15)
  - (v) As per the representation made by the Company and all its Directors, as on 31<sup>st</sup> March 2006, 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 ;
5. 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 – 15 relating to third party balance confirmation and others;
  - b) Note No.3 of schedule – 15 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 significant accounting policies and 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, 2006 ;
- 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, 2006.



## ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date to the Members of **REAL STRIPS LIMITED**, on the accounts for the year ended on **31<sup>st</sup> March, 2006**)

- 1) (A) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (B) A substantial portion of the fixed assets have been physically verified by the management during the year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- (C) During the year no substantial portion of the fixed assets has been disposed off.
- 2) (A) The management during the year has conducted physical verification of the inventories & in our opinion the frequency of verification is reasonable.
- (B) The procedures of physical verification of inventories followed by the management are reasonable and adequate having regard to the size of the Company and the nature of its business.
- (C) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- 3) (A) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (B) The Company has not given any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5) (A) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered and Sub-clause (b) is not applicable.
- (B) There are no such parties with whom transactions exceeding value of Rupees five lacs have been entered into during the financial year.
- 6) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the public.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business, **however there are further scope to enlarge and strengthen the same.**
- 8) As informed to us, the Central Government has not prescribed for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
- 9) (A) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (B) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and cess were in arrears at 31st March, 2006 for a period of more than six months from the date they become payable.
- (C) Outstanding dues of Sales Tax, Income Tax, Custom, Wealth Taxes, Excise Duty, Cess have not been deposited on account of dispute is NIL.
- 10) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.