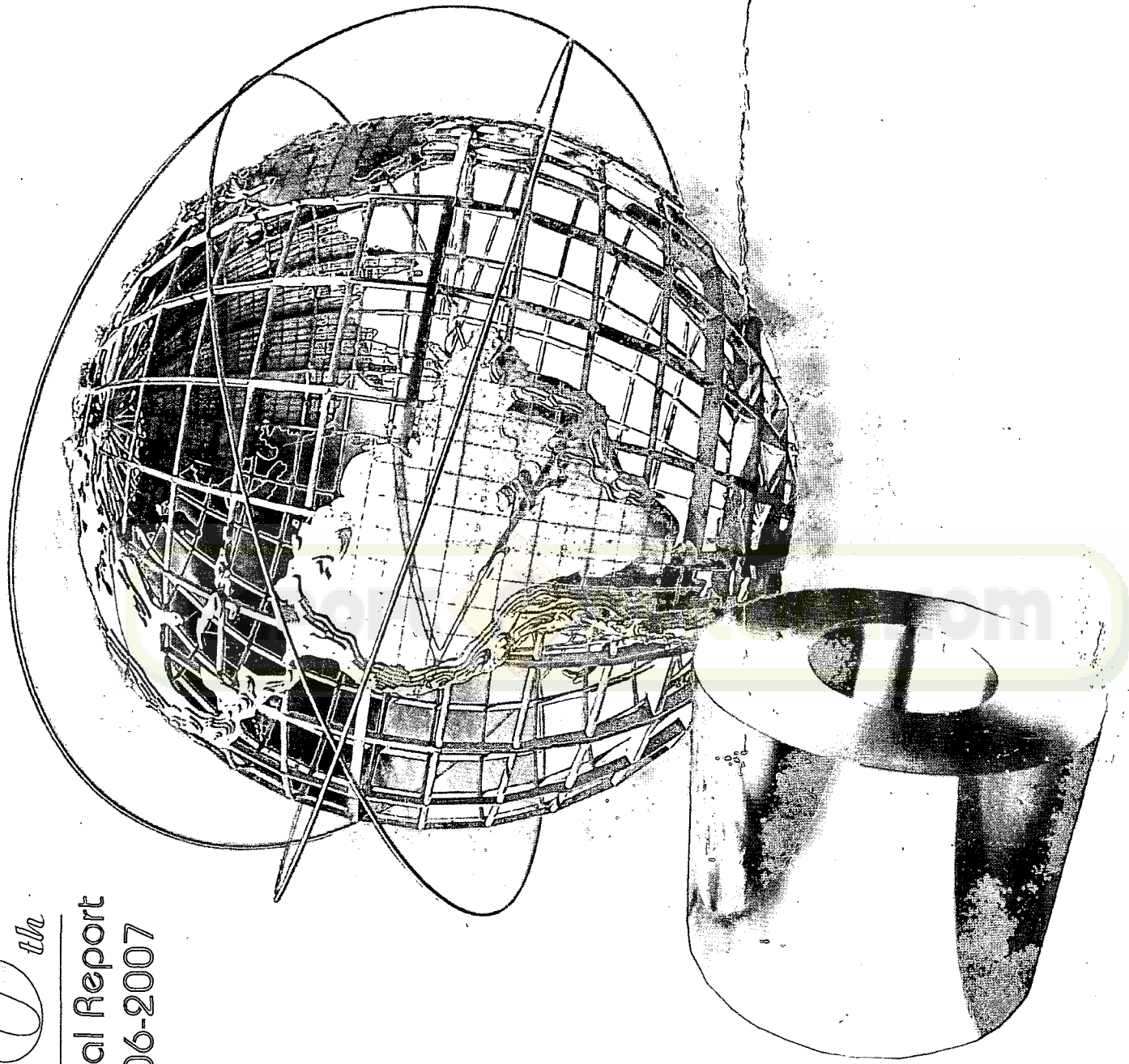
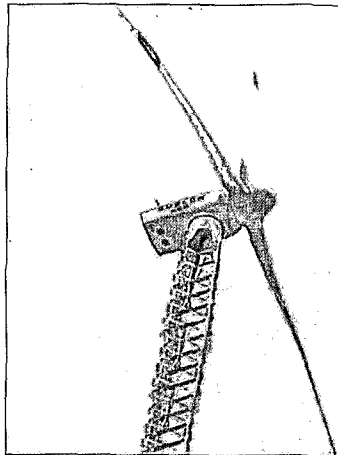
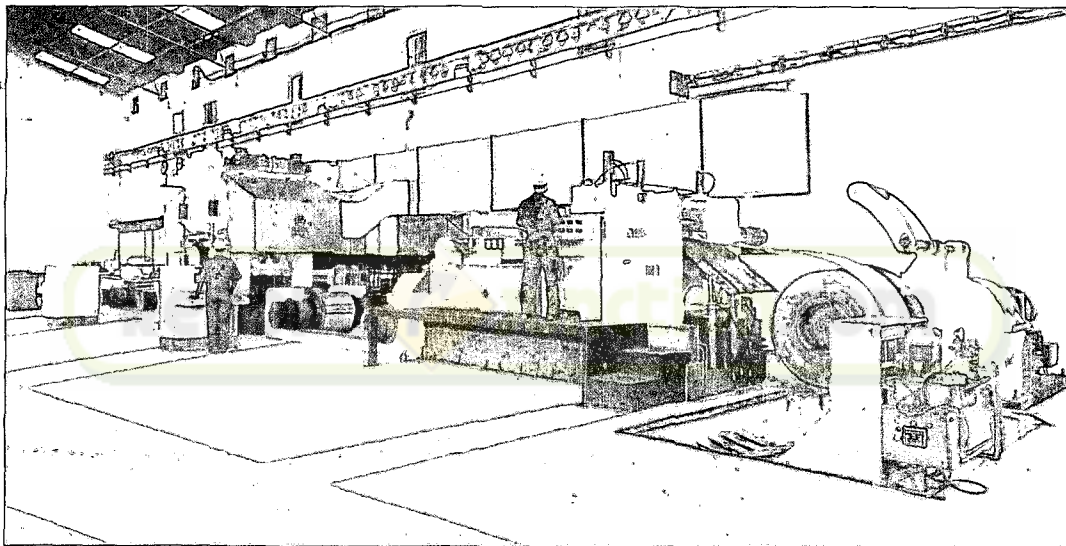
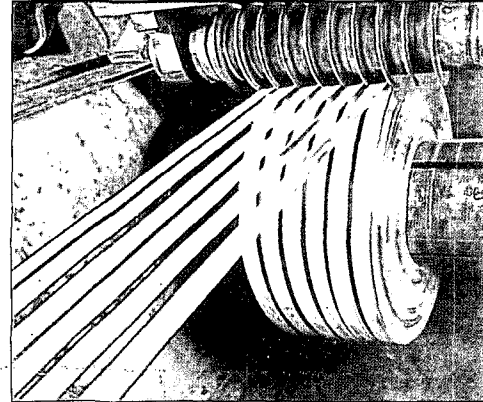
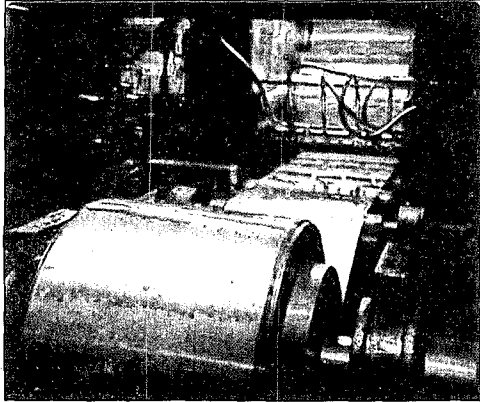


16th

Annual Report 2006-2007



Real STRIPS LIMITED



**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 :

401-402, "FLORENCE"

OPP. ASHRAM ROAD POST OFFICE,
ASHRAM ROAD,
AHMEDABAD-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 16th Annual General Meeting of the members of REAL STRIPS LIMITED will be held on Monday, 24th September 2007 at 4.30 p.m. at 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 31st March 2007 and Profit and Loss Account for the year ended on 31st March 2007 together with Director's and Auditor's Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri Chandresh V. Shah who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri Babulal S. Jain who retires by rotation and is eligible for reappointment.
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.

By Order of the Board

Place: Ahmedabad

Date: 29th June 2007

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 the Stock Exchanges, on directors recommended for reappointment 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 15th September 2007 to 19th September 2007, both days inclusive.
4. Members / proxies should bring their copy of the Annual Report and Accounts along with Attendance Slip (duly completed) when attending the Meeting.
5. Members who hold shares in dematerialized 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 24th September, 2007 are as under:

Name of Directors	Shri Chandresh V. Shah	Shri Babulal S. Jain
Date of Birth	05.02.1957	03.10.1941
Date of Appointment	05.12.1990	19.09.1990
Expertise in specific functional areas	Accounts & Commercial	Accounts & Administration
List of outside Directorship Held	NIL	NIL
Chairman / Member of the Committee of the Board of Directors of the Company	1	NIL
Chairman / Member of the Committee of the Board of Directors of other Public Limited Company	NIL	NIL

Place : Ahmedabad

Date : 29th June 2007

By Order of the Board

A.K. Kataria
Chairman

Registered Office

401-402, "Florence",
Opp. Ashram Road Post Office,
Ashram Road,
Ahmedabad – 380 009.



DIRECTOR'S REPORT

To,
The Members,

Your Directors have pleasure in presenting the 16th ANNUAL REPORT together with the Audited Accounts of the company for the year ended 31st March 2007.

1) ACCOUNTS AND FINANCIAL MATTERS:-

	2006-2007 (Rs. In Lacs)	2005-2006 (Rs. In Lacs)
Income of the year was	7924.23	5646.83
The year's working shows a Gross Profit of	795.69	538.47
Out of which, Provisions have been made for :-		
Less: Depreciation	340.29	259.78
Less: Provision for Taxation		
(i) Current Income Tax, Wealth Tax, Fringe Benefit Tax	54.70	55.00
(ii) Deferred Tax	75.81	3.95
Profit after Income Tax	324.89	219.74
Add/(Less): Prior Period Adjustment	(5.58)	13.74
	319.31	233.48
Add: Opening Balance of Profit & Loss Account	758.68	663.74
Less: Transfer of General Reserve	200.00	100.00
Less: Proposed Dividend	32.80	33.80
Less: Dividend Distribution Tax	5.57	4.74
Net Profit Carried forward to Balance sheet	839.62	758.68

2). DIVIDEND:-

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

3.) OPERATIONS:-

During the year review the turnover has gone up to Rs. 7924.23 Lacs, an increase of 40.33% over the previous year. Profit after tax has also gone up by 47.85% over the previous year.

a. FUTURE PROSPECTS:-

Your Directors are pleased to inform you that the expansion project is completed and running in a smooth way. We shall get its benefit throughout the year of 2007-08. Now, the company is able to produce S.S. Coil upto 750 m.m. in width and able to add additional grade of S.S.Coil. This additional grade which is without Nickel has a potential for large export market. The quality of the product also will be better.

b. GREEN ENERGY:-

Your directors are glad to inform you that company has installed 2 new wind mills during the year having capacity of 600 KW each. As against the electricity consumption of 3456501 units, the wind mills installed by the company has generated 2982720 units.

4.) INDUSTRIAL RELATIONS :-

Industrial relations remained cordial throughout the year. Your Directors place on record their deep appreciation for the contribution made by the employees at all the levels.

Measures have been taken for Human Resource Development.

5.) DIRECTORS :-

Shri Chandresh V. Shah and Shri Babulal S. Jain 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-I, 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 Accounts for the financial year ended 31st March, 2007 the applicable standards have been followed along with proper explanations 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 31st March 2007 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 31st March 2007 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 : 29th June 2007

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 material was met by imports again by the State Trading Corporation.

Stainless steel production has taken a giant leap from a measly 15000 tonnes per annum to 1.5 to 1.6 million tonnes per annum which makes India as one of the fastest growing markets 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. The Consumption of Steel in the world has crossed benchmark of 1100 million tonnes.

Share of stainless steel for domestic utensil sector was 90% in 1990-1991 and today it is about 75% whereas usage in industrial sector was mere 10% compared to 36.50% by the developed countries. Now it has enhanced to 25%.

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) SWOT ANALYSIS

• **Strength:**

- Management tends to have the skill of remodeling the business structure as & when required.
- Visible brand equity for 'Real' Brand.
- Consistent escalating performance.
- ISO 9001:2000 Certified Quality system.

• **Weakness:**

- We would be small fish in vast ocean.
- Limitation in accepting magnanimous propositions.

• **Opportunities:**

- Growing Export market.
- Emerging Steel Industry.
- Speciality & niche segment.
- Local Competitors have poor products.
- Could seek better supplier deals.

• **Threats:**

- Volatile Steel prices.
- Changes in government policies may adversely affect the working of the company.
- Lack of professionalism in the trade.
- High Capital requirement.
- Technological Obsolescence.
- Non-Availability of skilled workforce.

(C) RISK, CONCERNS & THEIR MANAGEMENT

Risk is an integral part of all the businesses and that is in your company too.

As a value focused management, our endeavour is to lessen the Risk inherent in our business and make best use of the accessible resources by implementation of Strategic as well as Operational management protocol.

Some of the risks affecting your company are described as under:

**a) Strategic Risk:**

The Steel industry today faces several significant strategic issues elaborately which includes industry consolidation issues, execution of profitable growth options, raw material linkages & scrutiny, technology and new product development, raising finance from global finance markets, protecting the environment and serving the community while creating values for its shareholders.

The management of company prepares long term strategic plans to mitigate the risk. The board periodically reviews the strategic plan of the company taking into consideration the global changes in steel industry and advises the management on various strategic issues. The company undertakes its growth projects including acquisition based on the strategic plan approved by the board.

The company has more than 15 years of experience in the speciality business, consistence with its knowledge positioning.

b) Business & Operational Risk:

The management of company headed by the Managing Directors is responsible for managing day to day affairs of the company.

The steel industry is still highly fragmented and cyclical in nature as well as demand for steel products is generally affected by macroeconomic fluctuations in the global market.

The risk is periodically reviewed by the management committee to ascertain its depth and whenever required it takes appropriate actions to mitigate the same.

c) Quality Risk:

For a company maximum attrition of customer is due to Quality. And we at **Real Strips** believe in the best quality product for content of our customers.

Company uses the best kind of material in its process and also manufactures the best quality.

The Quality of the product is monitored by Quality Control department as well as the samples are tested by internal as well as external laboratories.

The company follows stringent quality measures across raw material procurement, production, dispatch, distribution and sales benchmarked to the ISO 9001:2000.

d) Volatility Price Risk:

Prices of Steel are in the commodity market and as a result it has huge price fluctuations. Further, the nature of the business is cyclical; one cannot predict future demand absolutely.

Company always tries to find out various options available in the market to get the best quality at the cheaper rate. Also, company through its credit has well bargaining power to cope with inflation situation in the steel prices.

Some of the other risks associated with our business can be abridged as under:

- Over dependence on single product.
- Force of competition.
- Risk of inventory builds up.

Your company attempts its level best to alleviate all such hurdles and tries to keep its ethics alive.

(D) PRODUCT WISE PERFORMANCE

The company deals in a single product, i.e. cold rolled stainless steel coils. The production of company was 8014 M.T. in 2006-07.

(E) 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, petrochemicals, food processing industries, auto industries, rail industries, telecommunication industries and electronic Industries.

WIND MILL DIVISION:

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 windmills with the capacity of 1.25 MW, 0.35 MW and 0.60 MW (2 mills), 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.

(F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company is 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 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 assets and we believe that 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, 2007, 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 :
 - a. 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.
 - b. 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.
 - c. The Balance Sheet, Profit & Loss Account and Cash Flow Statement are in agreement with books of accounts.
 - d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement 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)
 - e. As per the representation made by the Company and all its Directors, as on 31st March 2007, 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, 1956;
- 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 term 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 31st March, 2007;
- 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 2007.**