

REMI GROUP

RAJENDRA MECHANICAL INDUSTRIES LIMITED

**34th ANNUAL REPORT
2004-2005**

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Board of Directors

Shri Vishwambhar C. Saraf

Chairman

Shri Mahabir Prasad Jatia

Shri Rajendra C. Saraf

Shri Kamal Kumar Dujodwala

Shri Rishabh R. Saraf

Managing Director

Bankers

STATE BANK OF INDIA

Auditors

M/s. Sundarlal, Desai & Kanodia

Chartered Accountants

903, Arcadia, 195, N.C.P.A. Road,

Mumbai- 400 021

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Registered Office

Plot No.11, Cama Industrial Estate,

Goregaon (East),

Mumbai – 400 063

Works

Plot No. N-211/1

M.I.D.C.

Tarapur,

Maharashtra

Rajendra Mechanical Industries Limited

NOTICE

To

The Members,

RAJENDRA MECHANICAL INDUSTRIES LIMITED

NOTICE is hereby given that the 34th Annual General Meeting of the Company will be held at the Company's Registered Office, 11, Cama Industrial Estate, Goregaon (East), Mumbai-400 063, on **Friday, the 30th September, 2005** at 11.30 A.M. to transact the following business:

1. To adopt the audited Balance Sheet as at, and the Profit and Loss Account for the year ended, 31st March, 2005.
2. To declare a dividend.
3. To re-appoint as Director Shri K.K. Dujodwala who retires by rotation.
4. To re-appoint as Director Shri R.C. Saraf who retires by rotation.

5. To appoint Auditors and to fix their remuneration.

For **RAJENDRA MECHANICAL INDS. LTD.**

Place : Mumbai

(RISHABH R.SARAF)

Dated : 25th August, 2005

MANAGING DIRECTOR**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING WILL BE ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 23rd September, 2005 to Friday, the 30th September, 2005, both days inclusive.
3. The dividend when declared will be paid on and after the 4th October, 2005.

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DIRECTORS' REPORT

To
The Members,
RAJENDRA MECHANICAL INDUSTRIES LIMITED

Dear Shareholders,

We present herewith the Annual Report and Audited statement of accounts of the Company for the year ended 31st March, 2005.

(Rs. In Lacs)

Financial Results	2004-2005	2003-2004
Profit before Depreciation & Taxation	646.82	429.23
Depreciation	109.90	103.87
Taxation	161.10	271.10
Net Profit for the year	375.00	226.43
Add : Balance brought forward	506.71	334.07
Add : Prior year's adjustments	(0.30)	22.20
Profit available for appropriation	882.23	582.70
APPROPRIATION:		
Transfer to General Reserve	100.00	50.00
Proposed Dividend	39.49	23.04
Distribution Tax on Dividend	5.54	2.95
Balance carried to Balance Sheet	737.20	506.71
	882.23	582.70

DIVIDEND:

Your Directors are pleased to recommend a dividend of 12% (Rs.1.20 per share) in view of the improved profitability of the Company during the year under report.

OPERATIONS:

Your Directors are happy to inform you that your Company's financial performance has improved. The major contribution is the income from property development project at Andheri. The general upward trend in the process industry and the Company's ability to achieve the maximum realization in the sale of its products backed by low-cost procurement have also helped in this regard.

The performance of the Windmill installed for captive power generation has been satisfactory.

The Company is also making developments into high-value added products used in areas such as power and oil, which have good growth potential in the years to come. It has planned to invest Rs.20 Crores for expansion and modernization of its activities and has tied up with its bank for the said investment. This investment will be able to add manufacturing facilities in the field of specialized Stainless Steel Tubes for the power sector, which is presently importing this, as the indigenous market does not have the capacity to cater to this sector. After the implementation of this proposal, this Company will have the largest capacity to meet the demand in the power sector, which is poised for substantial expansion, in view of the Government decision to eradicate power shortage in the country.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT 1956:

Sub-Sec. (1)(e)

A. CONSERVATION OF ENERGY:

All efforts are being made to conserve energy.

B. TECHNOLOGY ABSORPTION:

Though the Company does not have any foreign collaboration for manufacture, the Company is continuously modernizing and improving its products in quality and is having ISO 9001/PED Certification (which is required for Export Sales).

C. FOREIGN EXCHANGE OUTGO/EARNINGS INCLUDING DEEMED EXPORTS:

Outgo	1390.92 Lacs.
Earnings	1438.13 Lacs.

Sub-Sec. (2A):

The Company does not have any employee who is paid remuneration of Rs.24 Lacs in a year.

Sub-Sec. (2AA):

Your Directors state:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had 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 profit or loss of the Company for that period;

- that the directors had 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;
- that the directors had prepared the annual accounts on a going concern basis.

APPRECIATION:

Your Directors place on record their sincere thanks for the financial support from State Bank of India. They also place on record their appreciation for the dedicated services of the executives, staff and workers of the Company. Your Directors also appreciate the faith you have reposed in the Company and are confident that the Company can depend upon your continued support in its endeavour to grow.

Registered Office:

11, Cama Industrial Estate,
Goregaon (East),
Mumbai-400 063

ON BEHALF OF THE BOARD

VISHWAMBHAR C. SARAF
CHAIRMAN

Dated : 25th August, 2005.

Management discussion and analysis:

a) Industry Structure and Development:

The present industry structure of Stainless Steel Pipe consists of a few parties in the organized sector and many in the unorganized sector. The organized sector is catering to the quality-conscious market and industrial users whereas the unauthorized sector mainly cater to the ornamental, decorative and other sectors. The industry development analysis is bright for both the sectors as use of S.S. Pipes for processing industry and decorative industries is increasing. Your Company is a manufacturer in the organized sector and has a major presence in the local market and is also an exporter.

b) Opportunities and Threats:

The present high rate of growth in the country, especially of the oil, power and other process industries, assures that the opportunities for Company's products is good. However, there are threats of imports dumping.

c) Outlook:

Outlook for the coming year is positive and the Company is prepared to cater to the increasing demand in the Indian economy

d) Risk and Concerns:

The dollar appreciation has impact on the export viability and it also induces excessive import of finished pipes, which is the major competition. Further the Company's sales prices are all fixed whereas the raw material prices are fluctuating.

e) Internal Control Systems and their adequacy:

The Company has adequate internal control systems in technical and financial fields.

f) Financial Performance:

The Financial Performance of the Company has improved with better capacity utilization and product mix.

g) Human Relations / Industrial Relations:

The Company has maintained good industrial relations and is continuously adding to the human resources of the Company.

h) Cautionary Statement:

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or productions may be "forward looking statements" within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw-materials cost and availability, changes in Government regulations, tax regimes, economic developments within or outside India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revive any forward looking statements on the basis of any subsequent developments, information or events.

Rajendra Mechanical Industries Limited

CORPORATE GOVERNANCE

1. Company's basic philosophy:

The Company's pursuit towards achieving good corporate governance is an ongoing process, thereby ensuring transparency, accountability and responsibility in all its dealings with employees, shareholders, consumers and the community at large.

The Company believes that to succeed it must maintain high standards of corporate conduct towards all its stakeholders, employees, consumers and society.

The primary objective of the Company is to create and adhere to a corporate culture of conscience, consciousness and openness and to develop capabilities and identify opportunities that best serve the goal of value creation, thereby creating an out performing organization.

2. Board of Directors:

The Board of Directors met seven times on 29/04/2004, 29/07/2004, 26/08/2004, 21/09/2004, 29/10/2004, 27/01/2005 and 24/03/2005.

Composition and Category of Directors

Sr. No.	Name of Director	Category	Attendance Particulars		Other Board		
			Annual General Meeting	Board Meetings	Directorship	Committee Chairmanship	Committee Membership
1.	Shri V.C. Saraf	Promoter	No	7	3	—	1
2.	Shri M.P. Jatia	Independent Non-Executive	No	7	9	—	1
3.	Shri K.K. Dujodwala	Independent Non-Executive	No	7	4	—	—
4.	Shri R.C. Saraf	Promoter	No	7	4	2	2
5.	Shri R.R. Saraf	Executive	Yes	6	—	—	—

3. Audit Committee:

The Audit Committee has three qualified, independent and non-executive directors and provides assistance to the Board of Directors in fulfilling its responsibilities.

The functions of the audit committee include:

- Overseeing of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Discussing the adequacy of internal control systems, the scope of audit, internal audit reports and the compliance thereof.
- Recommending the fixation of the audit fee and also approval for payment for any other services of the Auditors.
- Reviewing with management the quarterly and annual financial statements, before submission to the Board.

Attendance of the members at the Audit Committee Meetings held during 2004-2005.

Committee Members	No. of Meetings	
	Held	Attended
Mr. K.K. Dujodwala	3	3
Mr. M.P. Jatia	3	3
Mr. R.C. Saraf	3	3

4. Shareholders' Committee:

The Shareholders/Investors Grievances Committee has been specifically constituted for approving the Transfer/Transmission/ Transposition of Shares, Dematerialization/Rematerialization of Shares etc., ensuring compliance with legal requirements of share transfers and co-ordination with the Registrar and Transfer Agents, Depositories, etc. The Composition of the Committee is as follows:

Mr. V. C. Saraf	Chairman
Mr. R. C. Saraf	Member

The Company had received 83 Complaints during the year 2004-2005. All have been disposed off. There are no shareholders' complaints or transfers pending.

5. General Body Meetings

Date	Venue	Time	No. of special resolutions
30/9/2002	11, Cama Industrial Estate, Goregaon (E), Mumbai - 400 063.	11.30 A.M.	—
30/9/2003	- do -	- do -	—
30/9/2004	- do -	- do -	One

In the last year no special resolution was passed through postal ballot.

6. Disclosures:

- Transactions with related parties are disclosed in Annexure to the Notes to Accounts. These are not in conflict with the interests of the Company.
- There was no non-compliance of any law or regulations (during the last three years) and hence, no penalties/strictures.
- Remuneration Package of Directors.

Name of Director	Salary Rs. in Lacs	Benefits Rs. in Lacs
Shri R.R. Saraf	8.4	—

- Shri K.K. Dujodwala and Shri R. C. Saraf, Directors, who retire by rotation, are to be re-appointed. The brief resume of these Directors is given herebelow: -

i) Shri K.K. Dujodwala is a B.Sc. Graduate. He has a vast experience of nearly 25 years in various sectors of business. He is currently controlling his family business in manufacture of Chemicals for paper industry. He is on the Board of Dujodwala Resins & Terpenes Ltd., Dujodwala Paper Chemicals Ltd., Dujodwala Products Ltd. and Indo Euro Securities Ltd. He is the Chairman of the Audit Committee of the Company.

ii) Shri R. C. Saraf, a Commerce Graduate, joined his family

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business, Remi Group, engaged in the manufacture of capital goods, industrial goods and consumer items and has a cumulative experience of nearly 30 years in the various sectors of business, at both the factory and management levels. He is the Managing Director of Remi Metals Gujarat Ltd. and Remi Process Plant And Machinery Ltd. He is also on the Board of Rajendra Electrical Industries Ltd. and Pudumjee Agro Industries Ltd. He is the Chairman of the Audit Committee, Shareholders Investor Grievance Committee and a member of the Remuneration Committee of Pudumjee Agro Industries Ltd. He is also member of the Shareholders Investor Grievance Committee of Remi Metals Gujarat Ltd.

7. Means of Communication:

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange, Mumbai and announces the results in The Free Press Journal & Navshakti.

8. General Shareholder Information:

The next Annual General Meeting will be on 30th September, 2005 being Friday at 11, Cama Industrial Estate, Goregaon (E), Mumbai - 400 063 at 11.30 A.M.

Financial year is from 01-04-2004 to 31-03-2005.

The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 23rd September, to Friday, the 30th September, 2005, both days inclusive.

The Stock code is 513043 at the Stock Exchange, Mumbai.

Market Price Data	High (Rs.)	Low (Rs.)
April 2004	No Trading	No Trading
May 2004	11.10	8.81
June 2004	7.05	7.05
July 2004	5.65	5.65
August 2004	17.00	6.78
September 2004	22.90	13.25
October 2004	21.00	17.30
November 2004	33.45	20.00
December 2004	41.15	25.25
January 2005	39.00	28.55
February 2005	36.50	26.00
March 2005	52.00	27.60

The transfer of shares of the Company are being done by Bigshare Services Pvt. Ltd., the R & T Agents, having address at E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai- 400 072.

Distribution of shareholding as on 31st March, 2005 is as follows: -

No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding
Upto 5000	4,843	99.57	10,79,674	32.80
5001 - 10000	9	0.19	58,311	1.77
10001 - 20000	2	0.04	23,200	0.70
20001 - 30000	1	0.02	25,000	0.76
30001 - 40000	1	0.02	31,134	0.95
40001 - 50000	0	0.00	0	0.00
50001 - 100000	3	0.06	2,27,345	6.91
100001 and above	5	0.10	18,46,536	56.11
TOTAL:	4,864	100.00	32,91,200	100.00

As on 31st March 2005, 2531302 equity shares constituting 76.91% of the share capital have been dematerialized.

Categories of shareholders as on 31st March, 2005

Category	No. of Share holders	No. of Shares	% of Share holding
Individuals	4,764	18,43,092	56.00
Companies	87	14,13,643	42.96
FIs, NRIs, OCBs	8	3,065	0.09
Mutual Funds, Banks, FIs	5	31,400	0.95
TOTAL:	4,864	32,91,200	100.00

Plant Location: - Plot No. N - 211/1, M.I.D.C., Tarapur, Maharashtra

Postal Ballot - Not being resorted to at present

For and on behalf of the Board of Directors

Place : Mumbai

Dated : 25th August, 2005.

VISHWAMBHAR.C. SARAF
CHAIRMAN

CERTIFICATE OF CORPORATE GOVERNANCE

To
The Members,
RAJENDRA MECHANICAL INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by **RAJENDRA MECHANICAL INDUSTRIES LIMITED**, for the year ended on March 31, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange, Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has

compiled with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the shareholders/Investors Grievance Committee of the Company.

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

**For SUNDARLAL, DESAI AND KANODIA,
CHARTERED ACCOUNTANTS,**

PLACE: MUMBAI

DATED: 25th August, 2005

(M. B. DESAI)

PARTNER.

Rajendra Mechanical Industries Limited

AUDITORS' REPORT

To,

The Members of Rajendra Mechanical Industries Limited

1. We have audited the attached Balance Sheet of **RAJENDRA MECHANICAL INDUSTRIES LIMITED** as at 31st March, 2005, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 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 Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we 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 account as required by law have been kept by the Company so far as appears from our examination of those books;

- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the Directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - (b) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For SUNDARLAL, DESAI AND KANODIA,
CHARTERED ACCOUNTANTS,

PLACE: MUMBAI

DATED: 25th August, 2005

(M. B. DESAI)

PARTNER.

Membership No. 33978