

REMI GROUP

RAJENDRA MECHANICAL INDUSTRIES LIMITED

**35th ANNUAL REPORT
2005-2006**

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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,

NOTICE is hereby given that the 35th 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 Saturday, the **30th September, 2006** 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, 2006.
2. To declare a dividend.
3. To re-appoint as Director Shri M.P. Jatia who retires by rotation.
4. To re-appoint as Director Shri R.R. Saraf who retires by rotation.
5. To appoint Auditors and to fix their remuneration.
6. To pass the following resolutions:

(a) As ordinary resolutions :

(i) "Resolved that the remuneration being paid to Shri Rishabh R Saraf, the Managing Director of the Company, be and is hereby revised as follows, with effect from the 1st April, 2006.

- a) A monthly salary of Rs.1,25,000/-.
- b) Reimbursement of actual medical expenses incurred for self and family.
- c) Leave Travel Concession for self and family once a year, in accordance with the rules of the Company.
- d) Annual fees to not more than two clubs.
- e) Free use of one or more Company car with driver for official purpose only.
- f) Telephone at residence for official purpose only.
- g) Company's contribution to Provident Fund as per the rules of the Company.
- h) Gratuity as per the rules of the Company.
- i) Encashment of Leave at the end of the tenure.

"FURTHER RESOLVED THAT the Board of Directors of the Company shall have power to grant increments to the Managing Director within a limit of 25% of the total emoluments of the previous financial year, effective from the 1st April, 2007."

(ii) "Resolved that consent be and is hereby accorded to the Board of Directors of the Company to borrow moneys for the purpose of its business such that the total sum so borrowed, apart from temporary loan obtained from its bankers in the ordinary course of business, does not exceed Rs. 150,00,00,000/- (Rupees One hundred and Fifty Crores only).

(b) As special resolution:

"Resolved that the Company hereby authorizes the payment of remuneration to its Directors, excluding

its Managing Director, by way of commission at one per cent of the net profits of the Company.

"Further Resolved that this arrangement will endure for five years from April, 2006."

For **RAJENDRA MECHANICAL INDS. LTD.**

Place : Mumbai

Dated : 25th August, 2006

(RISHABH R. SARAF)

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 Tuesday, the 26th September 2006 to Saturday, the 30th September, 2006, both days inclusive.
3. The dividend when declared will be paid on and after the 4th October, 2006.
4. An explanatory statement relating to the items of special business set out in item nos. 6(a)(i), 6(a)(ii) & 6(b).

An explanatory statement – Annexure to the notice.

6(a) (i) The Board of Directors of the company had, at its meeting held on the 25th August, 2006, expressed a desire that the remuneration being paid to its Managing Director be raised, so that the same is commensurate with the qualification and experience of the appointee and in line with the present trend in the remuneration packages of similar establishments.

It was further decided that his remuneration shall be as set out in the resolution.

Shri R.C.Saraf and Shri Rishabh R Saraf are to be deemed to be interested in this item of business

6(a) (ii) The Directors are of the view that the Company needs more funds to meet its increased activities and therefore, the borrowing limits, set at Rs.50 Crores, has to be enhanced. This resolution will enable the company to do so.

6(b) The Company intends to pay some remuneration to its Directors, other than its Managing Director. It wants your authority for making such a payment, pursuant to the provisions of section 309(4) (b), proviso (i).

The amount of commission so paid will be distributed among the other directors in a manner to be decided by them.

Shri V.C.Saraf, Shri R.C.Sarf and Shri Rishabh Saraf are to be deemed to be interested in this item of business.

Your Directors commend these resolutions for your approval.

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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, 2006.

(Rs. In Lacs)

Financial Results	2005-2006	2004-2005
Profit before Depreciation & Taxation	452.20	646.82
Depreciation	146.19	109.90
Taxation	97.66	243.85
Net Profit for the year	208.35	375.82
Add: Balance brought forward	737.20	506.71
Less: Prior year adjustments	(2.80)	(0.30)
available for appropriation	942.75	882.23
APPROPRIATION:		
Transfer to General Reserve	100.00	100.00
Proposed Dividend	57.50	39.49
Distribution Tax on Dividend	8.06	5.54
Balance carried to Balance Sheet	777.19	737.20
	942.75	882.23

DIVIDEND:

Your Directors are pleased to recommend a dividend of 12% (Rs.1.20 per share) for the year.

OPERATIONS:

Your Company has completed its Specialized Stainless Steel tubing project at a cost of about Rs.11 Crores and the Windmill Project at about Rs.10 Crores, totaling about Rs.21 Crores. The specialized S.S.Tubes cater to the critical power industry and the product development period is long. The effect of the Windmill Project and the other modernization equipments installed will be reflected in the current financial year.

The performance of the existing Windmill has been good. The power generated there-from is used for captive purposes. The new Windmill is expected to be stabilized during the current year and the power generated will be sold to the State Electricity Board. The total installed capacity has now increased to 2.25 MW.

The project has been funded by the bankers to the Company, Rs.15 Crores and by a preferential issue of Shares, Rs.5.17 Crores.

The operations during the year under report have been satisfactory, with slightly lower sales but enhanced operational margins, by improving product mix conversion, cost cutting and price realization. The Company foresees a good demand for its product during the coming years and this would help better performance. The Order book position of Rs.55 Crores will be executed during this financial year.

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	-	3109.38 Lacs.
Earnings	-	1297.67 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

Dated : 25th August, 2006.

ON BEHALF OF THE BOARD

VISHWAMBHAR C. SARAF
CHAIRMAN

Management discussion and analysis:**a) Industry Structure and Development:**

Stainless Steel Pipe Industry can be categorized into organized and unorganized sectors. The Company is operating in the organized sector where few other Companies operate. Future development and growth of this sector are bright with industrial growth taking place in oil/power and chemical industry. The demand for S.S. Pipes/Tubes is growing at approx. 15% per annum and your Company does not foresee any major problems in selling its increased capacity.

b) Opportunities and Threats:

The high rate of growth in Oil, Power, Automobile and Process industries offers many opportunities for the Company's product. However, competition from foreign manufacturers for certain products and dumping by imports is a potential threat.

c) Outlook:

In the coming years the Company is intending to increase its capacity utilization since the Company is focussed on adding value to its product-mix.

d) Risk and Concerns:

The Company's sale prices are fixed whereas raw material prices are fluctuating. However, the Company is taking all necessary steps to ensure that the margins are not affected by hedging its raw material requirements.

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 and 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 philosophy is to undertake its business with integrity, fairness, transparency and accountability and to ensure that adequate internal control systems are devised and put in place so that the interests of shareholders, employees, suppliers and those associated with the company are protected.

2. Board of Directors:

The Board of Directors met eight times on 29/04/2005, 06/05/2005, 29/07/2005, 25/08/2005, 28/10/2005, 21/12/2005, 31/01/2006 and 20/03/2006.

Committee. The Company had received 15 Complaints during the year 2005-2006. All have been disposed off. There are no shareholders' complaints or transfers pending.

5. General Body Meetings

Date	Venue	Time	No. of special resolutions
30/9/2003	11, Cama Industrial Estate, Goregaon (E), Mumbai - 400 063.	11.30 A.M.	—
30/9/2004	- do -	- do -	One
30/9/2005	- do -	- do -	—

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

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.	Mr. V. C. Saraf	Promoter	No	8	3	—	1
2.	Mr. M.P. Jatia	Independent Non-Executive	No	8	9	—	1
3.	Mr. K.K. Dujodwala	Independent Non-Executive	No	6	4	—	—
4.	Mr. R. C. Saraf	Promoter	No	5	4	2	2
5.	Mr. R.R. Saraf	Executive	Yes	6	—	—	—

3. Audit Committee:

The Audit Committee has two 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 2005-2006.

Committee Members	No. of Meetings	
	Held	Attended
Mr. K.K. Dujodwala	4	4
Mr. M.P. Jatia	4	4
Mr. R.C. Saraf	4	1

4. Shareholders' Committee:

The Members of the Committee comprise of Shri V. C. Saraf and Shri R. C. Saraf. Shri V. C. Saraf in the Chairman of the

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

- Shri Mahabir Prasad Jatia has been the Managing Director of Pudumjee Paper Mills and is a Director of many other companies. He has been in business since a long period and is an industrialist of repute.
- Shri Rishabh. R. Saraf has obtained a Bachelor of Arts in Business Administration from the university of Nottingham, England. He is the Managing Director of the Company since April, 2002, in full charge of the manufacturing and export activities of the Company.

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.

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8. General Shareholder Information:

The next Annual General Meeting will be on 30th September, 2006 being Saturday at 11, Cama Industrial Estate, Goregaon (E), Mumbai - 400 063 at 11.30 A.M.

Financial year is from 01-04-2005 to 31-03-2006.

The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 26th September, to Saturday, the 30th September, 2006, both days inclusive.

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

Market Price Data	High (Rs.)	Low (Rs.)
April 2005	55.00	43.10
May 2005	84.70	48.00
June 2005	73.90	56.00
July 2005	84.50	55.65
August 2005	79.60	65.65
September 2005	83.10	55.50
October 2005	67.60	42.00
November 2005	55.50	43.00
December 2005	63.80	49.50
January 2006	56.90	43.00
February 2006	54.00	32.50
March 2006	56.05	33.65

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, 2006 is as follows: -

No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding
Upto 5000	4,270	99.28	10,25,842	21.41
5001 - 10000	10	0.23	70,503	4.47
10001 - 20000	5	0.12	64,946	1.36
20001 - 30000	1	0.02	25,000	0.52
30001 - 40000	2	0.50	66,875	1.40
40001 - 50000	1	0.02	50,000	1.04
50001 - 100000	1	0.02	1,00,000	2.09
100001 and above	11	0.26	33,88,034	70.71
TOTAL:	4,301	100.00	47,91,200	100.00

As on 31st March 2006, 4238327 equity shares constituting 88.46% of the share capital have been dematerialized.

Categories of shareholders as on 31st March, 2006

Category	No. of Share holders	No. of Shares	% of Share holding
Individuals	4226	4200421	87.66
Companies	60	554814	11.58
FII's, NRIs, OCBs	11	5565	0.12
Mutual Funds, Banks, FIs	4	30400	0.64
TOTAL:	4301	4791200	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, 2006.

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, 2006 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 complied 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, 2006.

**(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, 2006**, 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 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, 2006;
 - (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, 2006.

**(M. B. DESAI)
PARTNER.**
Membership No. 33978