

REMI GROUP

RAJENDRA MECHANICAL INDUSTRIES LIMITED

**36th ANNUAL REPORT
2006-2007**

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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

Shri Ritvik V. Saraf

Executive 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

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 36th 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 **29th September, 2007** 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, 2007.
2. To re-appoint as Director Shri Vishwambhar C. Saraf who retires by rotation.
3. To re-appoint as Director Shri Kamal Kumar Dujodwala who retires by rotation.
4. To appoint Auditors and to fix their remuneration.
5. To pass the following resolutions:

a) As Special Resolution:

"RESOLVED THAT Shri Rishabh R Saraf be and is hereby re-appointed as the Managing Director of the Company for a term of 3 years from the 1st April, 2007, to manage the affairs of the Company, on the following terms and conditions: -

- i) A monthly salary of Rs.2,75,000/- .
- ii) Reimbursement of actual medical expenses incurred for self and family.
- iii) Leave Travel Concession for self and family once a year, in accordance with the rules of the Company.
- iv) Annual fees to not more than two clubs.
- v) Free use of one or more Company car with driver for official purpose only.
- vi) Telephone at residence for official purpose only.
- vii) Company's contribution to Provident Fund as per the rules of the Company.
- viii) Gratuity as per the rules of the Company.
- ix) Encashment of Leave at the end of the tenure.

b) As Ordinary Resolution:

- i) "RESOLVED THAT Shri Ritvik V. Saraf be and is hereby appointed as a Director of the Company."
- ii) "RESOLVED THAT Shri Ritvik Saraf be and is hereby appointed as the Executive Director of the Company for a term of 5 years from the

1st July, 2007, on the following terms and conditions: -

- a. A monthly salary of Rs.75,000/-.
- 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 Shri Ritvik Saraf within a limit of 25% of the total emoluments of the previous financial year, effective from the 1st April, 2008."

For **RAJENDRA MECHANICAL INDS. LTD.**

Place : Mumbai

(**RISHABH R. SARAF**)

Dated : 30th July, 2007

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 25th September, 2007 to Saturday, the 29th September, 2007, both days inclusive.
3. An explanatory statement relating to the item of special business set out in item no.5 accompanies.

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Explanatory statement – Annexure to the notice.**Item No.5 (a):-**

Shri Rishabh R. Saraf has been the Managing Director of the Company from the 1st April 2002. His term of office having expired on the 31st March, 2007, he is being re-appointed for another term.

His remuneration package has been fixed as per Schedule XIII, Part II(B) of the Companies Act, 1956 and hence, the following information has to be given herein.

- (i) The Remuneration Committee of Directors had approved of this remuneration.
- (ii) The Company has not made any default in repayment of its debts.
- (iii) Your approval is sought to be obtained by a Special Resolution.
- (iv) Attached hereto is a statement containing the following information:

I. General Information :

- (1) Nature of Industry : Manufacture of Seamless Tubes and Pipes
- (2) Commencement of commercial production : 1970
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. : Not a new Company
- (4) Financial performance : The Company has turnover of Rs.136.83 crores and net profit of Rs.3.40 crores for the financial year ended 31st March, 2007.
- (5) Export performance : The Company has good exports. No Foreign exchange collaboration.
- (6) Foreign investments or collaborations : None

II. Information about the Appointee:

- (1) The appointee hails from a family of business people of fifty years' standing. After his college education here, he obtained a Bachelor's degree in Business Management from the University of Nottingham in England. After his return, he joined his family business and has received from his elders in the family very good training in business management.

- (2) Past remuneration : Rs.1.25 Lacs plus usual perquisites.
- (3) Recognition or award : —
- (4) Job profile and his suitability : He is in full charge of production, sales, export, accounts and other administrative matters. After his training and experience during these five years, he has become the right person for managing the affairs of the Company
- (5) Remuneration Proposed : As set out in the Special Resolution
- (6) Comparative Remuneration profile : In similar Companies, this package is the norm.
- (7) Pecuniary relationship : He has a good financial stake in the Company by way of holding 102423 equity shares, 2.14% of the paid up capital. His father and the latter's brother and son are Directors of this Company.

III. Other information : Not Applicable**IV. Disclosure:**

- (1) Remuneration package : Set out in the Special Resolution
- (2) Report under the heading
 - (i) 'Corporate Governance' Salary etc. of all other Directors Done.
 - (ii), (iii) and (iv) : Not Applicable.

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

Item No.5 (b):-

Shri Ritvik V. Saraf had, after his primary schooling in Mumbai, had a stint of five years' secondary education in England and thereafter, took an Engineering degree from the University of Leeds, England.

He hails from a family of business house of long standing and after his return, has joined his family business.

He is very young and enthusiastic and has an inclination to learn more about his business.

He is a relative of one of the Directors of the Company.

Shri V.C. Saraf and Shri Ritvik V. Saraf are to be deemed to be interested in this item of business.

Rajendra Mechanical Industries Limited

DIRECTORS' REPORT

To

The Members,

RAJENDRA MECHANICAL INDUSTRIES LIMITED

Dear Shareholders,

We present herewith the Annual Report and Audited statements of accounts of the Company for the year ended 31st March, 2007.

(Rs. In Lacs)

| Financial Results | 2006-2007 | 2005-2006 |
|---------------------------------------|-----------|-----------|
| Profit before Depreciation & Taxation | 774.85 | 452.20 |
| Depreciation | 230.77 | 146.19 |
| Taxation | 204.37 | 435.14 |
| Net Profit for the year | 339.71 | 208.35 |
| Add: Balance brought forward | 777.19 | 737.20 |
| | 1116.90 | 945.55 |
| Less: Prior year adjustments | 10.67 | (2.80) |
| Available for appropriation | 1106.23 | 942.75 |
| APPROPRIATION: | | |
| Transfer to General Reserve | 100.00 | 100.00 |
| Interim Dividend | 57.49 | — |
| Proposed Dividend | — | 57.49 |
| Distribution Tax on Dividend | 8.06 | 8.06 |
| Balance carried to Balance Sheet | 940.67 | 777.19 |
| | 1106.23 | 942.75 |

DIVIDEND:

For this year interim dividend had already been paid and hence, no final dividend is proposed.

OPERATIONS:

Your Company's performance during the year under report is reflecting entire sales growth of 51.59% and gross profit increase of 81% compared to last year. Investment of approx. Rs.21 Crores for Windmill and for diversifying the Company's product-mix to higher value added product is now operational. Benefits of this expansion will be realized in this year.

The current order book position as of June end is approx. Rs.70 Crores and the Company expect to receive large value orders both from Indian market and export market considering the good demand. In view of this the Company is poised to exploit the potential and maximize its performance.

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 | — | 6513.36 Lacs. |
| Earnings | — | 4158.59 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 : 30th July, 2007.

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MANAGEMENT DISCUSSION AND ANALYSIS:**a) Industry Structure and Development:**

Stainless Steel Pipe Industry can be categorized into organized and unorganized sectors. 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 to 20% per annum.

b) Opportunities and Threats:

The high rate of growth in the Indian economy especially Oil, Power, Automobile and Process industries offers many opportunities for the Company's product. However, the threats are from (a) import dumping of secondary/commercial grade products and (b) substituting higher content Nickel grade S.S. Pipes with other types of material of construction considering an abnormal increase in the price of Nickel.

c) Outlook:

In the coming years the Company is intending to increase its capacity utilization and the Company has focus on higher value added products.

d) Risk and Concerns:

The Company's sale realizations are fixed whereas its import prices are fluctuating. Reduction in custom peak duties coupled with the strengthening of Indian rupee vis-à-vis dollar which may hamper high growth of S.S. Pipe industry.

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.

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 seven times on 29/04/2006, 30/07/2006, 25/08/2006, 26/10/2006, 21/12/2006, 05/01/2007 and 31/01/2007.

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.

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 | 7 | 3 | — | 1 |
| 2. | Mr. M.P. Jatia | Independent Non-Executive | No | 6 | 9 | — | 1 |
| 3. | Mr. K.K. Dujodwala | Independent Non-Executive | No | 6 | 4 | — | — |
| 4. | Mr. R. C. Saraf | Promoter | No | 7 | 4 | 1 | 1 |
| 5. | Mr. R.R. Saraf | Executive | Yes | 6 | — | — | — |

Rajendra Mechanical Industries Limited

- 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 2006-2007.

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

4. Shareholders' Committee:

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

The Company had received 10 Complaints during the year 2006-2007. All have been disposed off. There are no shareholders' complaints or transfers pending.

5. General Body Meetings

| Date | Venue | Time | No. of special resolutions |
|-----------|-------------------------------------------------------------|------------|----------------------------|
| 30/9/2004 | 11, Cama Industrial Estate, Goregaon (E), Mumbai – 400 063. | 11.30 A.M. | One |
| 30/9/2005 | - do - | - do - | - |
| 30/9/2006 | - do - | - do - | One |

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

6. Disclosures:

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

| Name of Director | Salary Rs. in Lacs | Benefits Rs. in Lacs |
|------------------|-----------------------|-------------------------|
| Shri R.R. Saraf | 15.00 | 1.96 |

- d) Shri Vishwambhar C. Saraf and Shri Kamal Kumar Dujodwala, Directors, who retire by rotation, are to be re-appointed. The brief resume of these Directors is given herebelow: -

- i) Shri Vishwambhar C. Saraf is a commerce graduate of the University of Bombay and after graduation he joined the family business. He is Managing Director of Rajendra Electrical Industries Ltd. and is on the

Board of Remi Process Plant and Machinery Ltd. & Remi Metals Gujarat Ltd.

- ii) Shri Kamal Kumar 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 industries. He is on the Board of Dujodwala Resins & Terpenes Ltd., Dujodwala Exports Private Ltd., Dujodwala Products Ltd. and Indo Euro Securities Ltd. He is the Chairman of the Audit Committee 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 Bombay Stock Exchange Ltd., Mumbai and announces the results in The Free Press Journal & Navshakti.

8. General Shareholder Information:

The next Annual General Meeting will be on 29th September, 2007 being Saturday at Float No.11, Cama Industrial Estate, Goregaon (E), Mumbai – 400 063 at 11.30 A.M.

Financial year is from 01-04-2006 to 31-03-2007.

The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 25th September, 2007 to Saturday, the 29th September, 2007, both days inclusive.

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

| Market Price Data | High (Rs.) | Low (Rs.) |
|-------------------|------------|-----------|
| April 2006 | 53.00 | 38.50 |
| May 2006 | 46.95 | 28.85 |
| June 2006 | 35.00 | 21.00 |
| July 2006 | 28.95 | 19.90 |
| August 2006 | 33.20 | 21.10 |
| September 2006 | 31.75 | 25.00 |
| October 2006 | 43.45 | 27.55 |
| November 2006 | 39.05 | 28.50 |
| December 2006 | 50.00 | 34.05 |
| January 2007 | 46.70 | 33.30 |
| February 2007 | 49.00 | 31.00 |
| March 2007 | 39.50 | 28.00 |

The transfers 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 (East), Mumbai- 400 072.

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Distribution of shareholding as on 31st March, 2007 is as follows: -

| No. of Equity Shares held | No. of Share holders | % of Share holders | No. of Shares held | % of Share holding |
|---------------------------|----------------------|--------------------|--------------------|--------------------|
| Upto 5000 | 3,756 | 99.03 | 617,522 | 12.89 |
| 5001 - 10000 | 149 | 3.69 | 116,775 | 2.44 |
| 10001 - 20000 | 64 | 1.59 | 96,820 | 2.02 |
| 20001 - 30000 | 17 | 0.42 | 46,183 | 0.96 |
| 30001 - 40000 | 12 | 0.30 | 42,503 | 0.89 |
| 40001 - 50000 | 6 | 0.15 | 29,479 | 0.62 |
| 50001 - 100000 | 8 | 0.20 | 55,535 | 1.16 |
| 100001 and above | 25 | 0.62 | 3,786,383 | 79.02 |
| TOTAL: | 4,037 | 100.00 | 47,91,200 | 100.00 |

As on 31st March 2007, 4308126 equity shares constituting 88.46% of the share capital have been dematerialized.

Categories of shareholders as on 31st March, 2007

| Category | No. of Share holders | No. of Shares | % of Share holding |
|--------------------------|----------------------|----------------|--------------------|
| Individuals | 3954 | 3447302 | 71.95 |
| Companies | 66 | 1309797 | 27.34 |
| FII's, NRIs, OCBs | 13 | 3701 | 0.08 |
| Mutual Funds, Banks, Fls | 4 | 30400 | 0.63 |
| TOTAL: | 4037 | 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 : 30th July, 2007.

VISHWAMBHAR.C. SARAF
CHAIRMAN

CERTIFICATE OF CORPORATE GOVERNANCE

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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, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited, 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 or effectiveness with which the management has conducted the affairs of the Company.

For SUNDARLAL, DESAI AND KANODIA,
CHARTERED ACCOUNTANTS,

Place : MUMBAI

Dated : 30th July, 2007.

(M. B. DESAI)
PARTNER.