



# TULSYAN

*Strength of Steel, Flexibility of Plastics*

## TULSYAN NEC LIMITED

### Board of Directors

**Lalit Kumar Tulsyan**  
*Executive Chairman*

**Sanjay Tulsyan**  
*Managing Director*

**S.Soundararajan**

**P.T. Rangamani**

**A.P. Venkateshwaran**

**S. Ramakrishnan**

**Sanjay Agarwalla**

**V. Kirubanandan**

### Registered Office

61, Sembudoss Street,  
Chennai - 600 001.

### Corporate Office

Apex Plaza, I Floor, Old No. 3, New No. 77,  
Nungambakkam High Road,  
Chennai 600 034.

### Administrative Office

37, Kaveriappa Layout,  
Miller Tank Bund Road  
Vasanth Nagar,  
Bangalore - 560 052.

### Bankers

Canara Bank  
Syndicate Bank  
Andhra Bank  
State Bank of India  
IDBI

### Auditors

C.A. Patel & Patel,  
Chennai

### Share Transfer Agents

Cameo Corporate Services Ltd.  
Subramanian Building  
1 Club House Road  
Chennai - 600 002.

### Steel Division

39, Dr. Harikrishna Naidu Street  
Ambattur, Chennai - 600 053.

A 15/N, (Pt) SIPCOT Indl. Complex,  
Gummudipoondi  
Chengalpet Dist., Tamil Nadu.

D-4, SIPCOT Indl. Complex,  
Gummudipoondi,  
Chengalpet Dist., Tamil Nadu

476, K.G. Palayam Post,  
Kariyam Palayam, Pugalur,  
Annur Union, Coimbatore - 641 697.

### Windmill

Kudimangalam, Udumalapet  
Tamil Nadu

Pazhavor, Tirunelveli Dist.  
Tamil Nadu

Kavalakiurichi, Tirunelveli Dist.  
Tamil Nadu

### Synthetics Division

7-A, Doddaballapura Indl. Area,  
Kasba Hobli, Karnataka.

2-B, Survey No. 16, Korandanahalli  
Malur Industrial Area, Malur Kolar Dist.  
Karnataka.

477, E-4th Phase, Peenya Industrial Area,  
Bangalore - 560 058. Karnataka.

Unit III, No. 343, 9th Cross,  
4th Phase, Peenya II Stage,  
Bangalore - 560 058. Karnataka.

Plot No.E-4, Madkaim Indl. Area,  
Madkaim Village, Ponda Taluk, Goa.

## NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 59th Annual General Meeting of the Company will be held on Friday the 22nd September, 2006 at 10.15 a.m. at NARADA GANA SABHA MINI HALL, 254, T.T.K. Road, CHENNAI – 600 018, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date, together with the Report of the Directors and Auditors thereon
2. To Declare Dividend
3. To appoint a Director in place of Mr. S. Soundararajan, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in the place of Shri P T Rangamani, who retires by rotation and being eligible, offers himself for re-appointment
5. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution:

“RESOLVED THAT M/s. C.A. Patel and Patel, Chartered Accountants, Chennai, retiring auditors of the Company be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company”.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution.

To regularise the appointment of Shri Sanjay Agarwalla, Director whose term of office expires on the date of Annual General Meeting.

“RESOLVED THAT Shri Sanjay Agarwalla, who was appointed as an Additional Director in the meeting of the Board of Directors held on 27/04/2006 and who holds office as such up to the date of commencement of this Annual General Meeting and in respect of whom the Company has received notice in writing from member proposing him as candidate for the office of Director under the provisions of section 257 of the Companies Act 1956, along with the deposit of Rs. 500/- and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company”.

7. **Appointment of Mr. Sanjay Agarwalla as Whole-Time Director**

“RESOLVED THAT in accordance with the provisions of section(s) 198, 269, 385 and 387 read

with section 2(24) and also other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, guidelines issued by the Central Government from time to time) the company here by approves the appointment **Mr. Sanjay Agarwalla**, as whole time Director of the company for a term of Five Years with effect from **22.08.2006** at the remuneration of **Rs. 65,000/-** per month.

“RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary and modify the said terms including salary, allowances and perquisites in such manner as may be agreed to between the Board and **Mr. Sanjay Agarwalla**, within and in accordance with and subject to the limits prescribed in Schedule XIII to the said Act, and if necessary, as may be stipulated by the Central Government as may be agreed to accordingly between the Board and **Mr. Sanjay Agarwalla**.”

“RESOLVED FURTHER that not withstanding anything herein above stated, where in any financial year, during the currency of the term of **Mr. Sanjay Agarwalla**, as whole time Director, the Company has no profits or its profits are inadequate, the Company shall and perquisites as specified in section II of the part II of Schedule XIII to the said Act, or such other limits as may be prescribed by the Central Government from time to time as Minimum Remuneration.”

8. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution.

To regularise the appointment of Shri V Kirubanandan, Director whose term of office expires on the date of Annual General Meeting

“RESOLVED THAT Shri V Kirubanandan, who was appointed as an Additional Director in the meeting of the Board of Directors held on 27/04/2006 and who holds office as such up to the date of commencement of this Annual General Meeting and in respect of whom the Company has received notice in writing from member proposing him as candidate for the office of Director under the provisions of Section 257 of the Companies Act, 1956, along with the deposit of Rs. 500/- and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company.

9. **RE-APPOINTMENT OF EXECUTIVE CHAIRMAN**

To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution.

“RESOLVED THAT pursuant to the provisions of Sections 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the



Companies Act 1956, approval of the Company be and is hereby accorded for the re-appointment of Mr. Lalit Kumar Tulsyan as Managing Director and designated as "Executive Chairman" for a period of 5 years with effect from 12.07.2006 as per the terms and conditions, including remuneration as set out in the draft of the agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement, so as not to exceed the limits and stipulations specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto as may be agreed to between the Board and Mr. Lalit Kumar Tulsyan or as may be varied by the General Meeting."

#### 10 RE-APPOINTMENT OF MANAGING DIRECTOR

To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, approval of the Company be and is hereby accorded for the re-appointment of Mr. Sanjay Tulsyan as Managing Director for a period of 5 years with effect from 01.10.2006 as per the terms and conditions, including remuneration as set out in the draft of the agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement. so as not to exceed the limits and stipulations specified in Schedule XIII to the Company Act, 1956, or any amendments thereto as may be agreed to between the Board and Mr. Sanjay Tulsyan or as may be varied by the General Meeting.

For and on behalf of the Board

Place: Chennai

**LALIT KUMAR TULSYAN**

Date: 25th August, 2006

Executive Chairman

#### NOTES:

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- 2 The Proxies to be valid, should be lodged with the Share Transfer Agents, not less than 48 hours before the commencement of the Meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed from Monday the 18th September, 2006 to Friday the 22nd September, 2006 (both days inclusive).

- 4 Members are requested to forward transfer requests, change of address, power of attorney, etc., to the Share Transfer Agents, viz., Cameo Corporate Services Ltd., 1, Club House Road, Chennai - 600 002.

Members/Proxies are requested to bring the attendance slip duly filled in for attending the meeting and also their copy of the Annual Report.

### THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE ABOVE RESOLUTION IS ANNEXED EXPLANATORY STATEMENT

#### ITEM NO. 6

Shri Sanjay Agarwalla was appointed as an Additional Director of the Company at the Board Meeting held on 27/04/2006. He has rich blend of hands on experience coupled with managerial and entrepreneurial skill over the last 15 years.

The company has received a notice in writing from a member alongwith a deposit of Rs. 500/- proposing the candidature of Shri Sanjay Agarwalla for the office of a director under the provisions of Section 257 of the Companies Act, 1956

The Board considers it desirable to receive the benefit out of his experience having regard to his qualifications and exposure

The Board recommends the resolution for approval of the members.

#### ITEM NO. 7

In view of vast experience and business expertise of Mr. Sanjay Agarwalla, the Board felt it necessary to appoint him as whole time Director with effect from 22.08.2006 at the remuneration of Rs. 65,000/- per month, on terms & conditions stipulated by the board of directors from time to time.

The statement be treated as extract as required under Section 302 of the Company Act, 1956.

Mr. Sanjay Agarwalla is interested in the resolution to the appointment and payment of remuneration.

#### ITEM NO. 8

Shri V. Kirubanandan was appointed as an Additional Director of the Company at the Board Meeting held on 27.04.2006. He has rich blend of hands on experience coupled with managerial and entrepreneurial skill over the last 35 years.

The Company has received a notice in writing from a member alongwith a deposit of Rs. 500/- proposing the candidature of Shri V Kirubanandan for the office of a director under the provisions of Section 257 of the Companies Act, 1956

The Board considers it desirable to receive the benefit out of his experience having regard to his qualifications and exposure

The Board recommends the resolution for approval of the members

The above statement may be regarded as an abstract of the terms of contract or variations and memorandum of interest under Section 302 of the Companies Act, 1956

#### ITEM NO. 9 & 10

The term of office of Mr. Lalit Kumar Tulsyan, Executive Chairman of the Company has expired on 11.07.2006. The Board of Directors of the Company at its meeting held on 31.07.2006 re-appointed for a further period of 5 years with effect from 12.07.2006, subject to the approval of the Company in General Meeting.

The term of office of Mr. Sanjay Tulsyan, Managing Director of the Company is to expire on 30/9/06. The Board of Directors of the Company at its meeting held on 31/07/2006 re-appointed for a further period of 5 years with effect from 01/10/2006, subject to the approval of the Company in General Meeting.

The draft of the agreements to be entered into by the Company with Mr. Lalit Kumar Tulsyan and Mr. Sanjay Tulsyan, inter alia, contain the following terms and conditions:

#### Powers:

The Executive Chairman and Managing Director shall exercise the powers conferred under the Companies Act, 1956 and the Articles of Association, subject to the superintendence, control and directions of the Board of Directors of the Company

#### Period of Appointment:

Mr. Lalit Kumar Tulsyan : Five years with effect from 12.07.2006

Mr. Sanjay Tulsyan : Five years with effect from 1.10.2006

#### Remuneration Payable -

- Salary as agreed between the board & appointees
- perquisites

As applicable to other senior management employees of the Company, which inter alia includes provision of rent free accommodation/HRA, medical reimbursement, leave travel concession, club fees, personal accident insurance, etc.

The above mentioned draft agreements are available for inspection of the members at the Corporate Office of the Company on all working days during business hours till the date of Annual General Meeting.

Pursuant to Section 269 and 309 read with Schedule XIII to the Companies Act, 1956 approval of the shareholders is being sought for the re-appointment of Mr. Lalit Kumar Tulsyan as Executive Chairman and Mr. Sanjay Tulsyan as Managing Director of the Company and payment of remuneration to them. The Board of Directors may also be authorised to alter and vary the terms and conditions of the appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto

None of the Directors of the Company are interested or concerned in any of the above resolutions except the proposed Appointees Mr. Sanjay Tulsyan and Mr. Lalit Kumar Tulsyan being Directors of the Company are interested in the resolutions under items 9 & 10 to the extent of the remuneration payable to the said Appointees.

Additional Information on persons seeking appointment/re-appointment at the Fifty Ninth Annual General Meeting pursuant to Clause 49 of the Listing Agreement.

The brief resume, experience and functional expertise and the membership on various Boards and Committees, of Directors proposed to be re-appointed/appointed as Sl.Nos. 3 to 4 and 7 to 10 of the Notice as required under Clause 49 of the Listing Agreement are furnished below

Name of the Director	S.Soundararajan	P.T. Rangamani	Sanjay Agarwalla	V. Kirubanandan	Lalit Kumar Tulsyan	Sanjay Tulsyan
Date of Birth	21.04.1926	26.06.1934	26.06.1963	30.04.1948	18.02.1960	12.01.1964
Age	80 Years	72 Years	40 Years	55 Years	46 Years	42 Years
Date of Appointment	18.01.1993	30.03.1994	27.04.2006	27.04.2006	27.01.1994	06.09.1986
Qualification	I.A. & A.S.,	F.C.S., B.L.,	B.Com.,	B.E., M.Tech., M.B.A	B.Com.,	B.Com., (Hons.)
Experience in Specific Functional Area	55 Years	50 Years	15 Years	35 Years	25 Years	20 Years
List of Companies in which directorship held in other Companies	Nil	Nil	Tulsyan Power Ltd Cosmic Global Ltd	Nil	Tulsyan Power Ltd Cosmic Global Ltd Tulsyan Smelters P Ltd Gopala Polyplast Ltd Pragati Viniyog P Ltd G.L. Investment P Ltd	Tulsyan Power Ltd Cosmic Global Ltd Tulsyan Smelters P Ltd Pragati Viniyog P Ltd G.L. Investment P Ltd
Chairman/Members of the Committee of the Board of Companies in which he is a Director	Nil	Nil	Nil	Nil	Gopala Polyplast Ltd	Nil
Shareholding	400	Nil	Nil	Nil	1304793	1304732





## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We take pleasure in presenting the 59th Annual Report of the Company together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the year ended 31st March, 2006.

<b>FINANCIAL RESULTS</b>	<b>2005-2006</b>	<b>2004-2005</b>
	Rupees in Lacs	
Profit before depreciation and Tax	<b>957.60</b>	802.64
Less: Depreciation	<b>352.96</b>	295.72
Profit for the year	<b>604.64</b>	506.92
Less: Provision for Current Tax	<b>134.00</b>	46.00
Deferred Tax	<b>69.19</b>	55.41
Fringe Benefit Tax	<b>8.63</b>	-
Add: Surplus brought forward	<b>232.41</b>	149.53
Public Issue / Preliminary Exp. written off	-	<b>4.21</b>
Amount available for appropriation	<b>625.26</b>	550.82
Appropriations:		
Dividend	<b>70.00*</b>	60.00
Corporate Tax	<b>9.82</b>	8.42
General Reserve	<b>60.00</b>	250.00
Balance carried forward	<b>485.44</b>	232.41

\*Subject to approval of AGM

### OPERATIONS AND OUTLOOK

The performance of your company for the current year continues to be satisfactory. The Profit before depreciation and tax has grown by 19.32% compared to the last year. During the year, your company has taken on lease a Rolling Mill having a production capacity of 36000 M T p.a. at Coimbatore, Tamil Nadu.

With constant vigil over ever-changing technological trends and consistent upgrading of equipment, your company is able to provide value added products to its customers. Indisputable superiority in quality and timely supplies has facilitated a continuous increase in demand for your company's product, which is being very closely monitored.

Your Company is going for expansion by installing a Rolling Mill having production capacity of 150000 MT p.a. at Gummidipoondi, Tamil Nadu and capacity expansion of 10500 MT p.a. in Plastic Division comprising of FIBC, PP Bags and Fabrics, in Bangalore, Karnataka

Your Directors re-assure that all efforts shall continue to sustain satisfactory margin and to further consolidate retained earnings.

### DIVIDEND

Your Directors are pleased to recommend a Dividend of 14%, on the Equity Capital subject to members approval.

### DIRECTORS

Mr. S. Soundararajan, Director of the Company, retires by rotation and being eligible, offers himself for re-election.

Mr. P T Rangamani, Director of the Company, retires by rotation and being eligible, offers himself for re-election.

Shri Sanjay Agarwalla, who has been inducted in the Board as Additional Director during April, 2006, retires in this Annual General Meeting. He will be re-appointed as Whole-time Director of the Company.

Shri V. Kirubanandan, who has been inducted in the Board as Additional Director during April, 2006, retires in this Annual General Meeting. He will be re-appointed as Director of the Company.

Further, Mr. Lalit Kumar Tulsyan, and Mr. Sanjay Tulsyan, re-appointed as Managing Directors of the Company.

A brief profile is given as per clause 49 of the listing agreement.

### AUDITORS

The Auditors of the Company M/s. C. A. Patel & Patel, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

### PERSONNEL

Your Directors wish to express their appreciation to the employees at all levels for their contribution to the Company's performance during the year under review.

None of the employees was in receipt of remuneration in excess of limits prescribed under section 217(2A) of the Companies Act, 1956.

Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and Particulars of Foreign Exchange Earnings and Outgo are enclosed with report.

Particulars required to be disclosed as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are enclosed with the report.

### FIXED DEPOSITS

The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and Rules

made thereunder relating to acceptance of deposits from public. There are no unpaid/unclaimed deposits.

### DEMATERILISATION OF SHARES

Your company has entered into an arrangement with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for Dematerialisation of the Company's shares in accordance with the provisions of the Depositories Act, 2001. Accordingly, our Company's shares can be dematerialised in the CDSL and NSDL under the ISIN - INE463D01016.

### DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the Profit of the Company for the year ended on that date.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv the annual accounts have been prepared on a going concern basis.

### AUDIT COMMITTEE

In compliance of Section 292A of the Companies Act, 1956, the Audit Committee of the Board has been re-constituted consisting of the following Directors:

1. Mr. S. Soundararajan - Chairman
2. Mr. S. Ramakrishnan
3. Mr. A.P. Venkateshwaran

### CORPORATE GOVERNANCE

Report on Corporate Governance is annexed

### GENERAL

The particulars prescribed by Companies (Disclosure of Particulars in report of Board of Directors) Rules, 1988 are appended and form an integral part of this Report.

The Directors take this opportunity to convey their appreciation of the services rendered and support given by the Company's Bankers, Financial Institutions, Suppliers and Customers.

Your Directors thank you, the Shareholders, for your continued patronage.

For and on behalf of the Board

Place: Chennai

**LALIT KUMAR TULSYAN**

Date: 25th August, 2006

Executive Chairman



## ANNEXURE TO DIRECTORS' REPORT

*Information under section 217(1) (e) of the Companies Act, 1956*

<b>A. CONSERVATION OF ENERGY</b>	<b>2005 - 2006</b>	<b>2004 - 2005</b>
	<b>Rs.</b>	<b>Rs.</b>
I. Electricity		
a. Purchases in units	53529960	33660651
Total Amount (Rs. in lacs)	2392.16	1549.48
Rate per unit	4.47	4.61
b. Own generation in units	79401	92400
Unit per litre of diesel	3.50	3.50
Cost per unit	9.20	8.00
II. Coal	----	---
III. Furnace Oil		
Consumption (litres)	2712975	1954800
Total Amount (Rs. in lacs)	492.76	262.58
Average Rate (Rs. in lacs)	18.16	13.43
 <b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Finished Steel Products		
Production	51622	33456
Electricity	121	107
Furnace oil	49	58
MS. Ingots		
Production	18386	14789
Electricity	944	1164
MS. Ingots		
Production	36364	12861
Electricity	873	957
 <b>C. TECHNOLOGY ABSORPTION</b>	<b>Not applicable</b>	<b>Not applicable</b>
 <b>D. ACTIVITY RELATING TO EXPORTS</b>		
i. Foreign Exchange earned	2632.28	7374.71
ii. Foreign Exchange used	6511.63	3588.17

For and on behalf of the Board

Place: Chennai  
Date: 25th August, 2006

**LALIT KUMAR TULSYAN**  
Executive Chairman



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

- A** (a) The extent of the company's interest in the subsidiary at the end of the financial year on 31/03/2006
- 1) Name of the Subsidiary Company : **Cosmic Global Limited**
  - 2) Paid-up Capital : **Rs.1,12,65,000/-**
  - 3) Investment made by the Company : **Rs.1,00,00,000/-**
  - 4) Extent of Interest of the Company : **88.77%**
- (b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2006
- 1) Net profit after tax of Cosmic Global Ltd  
for the period ended 31<sup>st</sup> March, 2005 38,60,171
  - 2) Company's share in the net profit of  
the Subsidiary Company 34,26,674
  - 3) Less amount of the dividend received from  
the Subsidiary Company 10,00,000
  - 4) Amount of profit of the Subsidiary Company  
not dealt within the books of the Company 24,26,674
- (c) The net aggregate amount of the profits of  
the Subsidiary Company dealt within  
the Company's Accounts 27,33,671
- B** (a) The extent of the company's interest in the subsidiary at the end of the financial year on 31/03/2006
- 1) Name of the Subsidiary Company : **Tulsyan Power Limited**
  - 2) Paid-up Capital : **Rs.5,00,000/-**
  - 3) Investment made by the Company : **Rs.4,94,000/-**
  - 4) Extent of Interest of the Company : **98.80%**
- (b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2006
- 1) Net profit after tax of Tulsyan Power Limited  
for the period ended 31<sup>st</sup> March, 2006 NIL
  - 2) Company's share in the net profit of  
the Subsidiary Company NIL
  - 3) Less amount of the dividend received from  
the Subsidiary Company NIL
  - 4) Amount of profit of the Subsidiary Company  
not dealt within the books of the Company NIL
- (c) The net aggregate amount of the profits of  
the Subsidiary Company dealt within  
the Company's Accounts NIL

On behalf of the Board

**LALIT KUMAR TULSYAN**  
Executive Chairman

**SANJAY TULSYAN**  
Managing Director

**S. SOUNDARARAJAN**  
Director

**A.P. VENKATESHWARAN**  
Director - Finance

Place: Chennai  
Date: 25th August, 2006

## MANAGEMENT DISCUSSION & ANALYSIS

(Pursuant to Clause 49 of Listing Agreement)

### I. INDUSTRY STRUCTURE AND DEVELOPMENTS

The company's products are tmt bars / billets and synthetic products such as poly woven sacks/bags.

Tmt bars are better accepted by builders than conventional ctd/twisted bars due to the better process and raw material used.

Tmt bars meet the demand of construction for housing/infrastructure sectors and poly woven sacks/bags meet the demand for packing of cement/sugar/fertilizers and other bulk packaging requirement.

The raw material for making tmt bars is scrap, sponge iron and alloys. In the present economy the company continuously makes effort for improving quality and reducing the cost of production by up gradation and value addition to improve its margins.

The demand for HDPE/PP woven sacks & FIBC are driven by growth in the Industrial & Infrastructure sectors. In the past this industry mainly catered to the domestic market. However, after liberalization due to huge demand for packaging of bulk products. There is a large requirement in the domestic market and even exports to USA & European countries.

The raw material for manufacturing of woven sacks is HDPE/PP Granules which is available in abundance within the country and can also be freely imported.

### II. OPPERTUNITIES AND THREATS

The Cost of Steel Scrap and power are major costs incurred for producing Steel Rods. Regular increase of price of scrap affects the company's margin.

With globalization and liberalization the demand gap is ever increasing. With almost 3 decades of presence in the industry the company has earned a good name for its commitment to quality and timely supply. The company is well poised to get a sizable share in the increasing market.

Fragmented industry with more SSI units. Speculation and uncertainty does not allow price to settle and this scenario synchronizes well when the going is good. Polymer prices have generally been high and volatile.

### III. SEGMENT-WISE/PRODUCT-WISE

During the year, the company was engaged in manufacturing steel rods and poly sacks/fabrics.

The sale of rods during the year was 82696 MT compared to 71113 M T in the previous year

The sale of synthetic products during the year was 12782 MT compared to 11352 MT in the previous year

The focus of the company has shifted to manufacturing and marketing of value added products. As a result the sale of both the divisions has gone up during the year. The company has also enhanced its customer base and is catering to the markets in Gujrat, Maharastra, Tamilnadu, Andrapradesh, Goa, Kerala and Karnataka.

### IV. OUTLOOK

During the year the company has taken on lease a Rolling Mill having annual production capacity of 36000 MT at Coimbatore, Tamil Nadu

The Company has started installing New Rolling Mill having annual production capacity of 150000 MT in Gummuipoondi, Tamil Nadu . Also the company is enhancing the capacity of Synthetic Division by 10500 MT.

Over 400 manufacturers are engaged in providing solutions to packaging of commodities like Cement, Fertilizer, Chemicals, Food grains, Drug etc. Our product also goes for wrapping application and finds its use in tarpaulin sector has witnessed a healthy growth of over 15% over last year, and with Indian G.D.P. growing @ 8 to 9%. We are convinced that plastic packaging is embarking into an age of future growth and customer satisfaction in the years to come.