



UTTAM

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21st

Annual Report

2005-2006

UTTAM GALVA STEELS LIMITED

Uttam Galva Steels Limited**BOARD OF DIRECTORS**

RAJINDER MIGLANI	:	CHAIRMAN & MANAGING DIRECTOR
PRAVEEN MIGLANI	:	DIRECTOR
P. G. KAKODKAR	:	DIRECTOR
S. T. PARIKH	:	DIRECTOR
DR. N. S. DATAR	:	DIRECTOR
S. R. KRISHNASWAMY	:	DIRECTOR (NOMINEE - LIC)
V. D. SHINDE	:	DIRECTOR (NOMINEE - IDBI)
SHAILA SARPOTDAR	:	DIRECTOR (NOMINEE - ICICI)
ANUJ MIGLANI	:	DY. MANAGING DIRECTOR & COO
ANKIT MIGLANI	:	DIRECTOR (COMMERCIAL)
A. K. MAHENDRU	:	DIRECTOR (SALES & MARKETING)
S. G. TUDEKAR	:	DIRECTOR (WORKS)

EXECUTIVE DIRECTOR (FINANCE) & CFO

G. S. SAWHNEY

VICE PRESIDENT & COMPANY SECRETARY

R. K. AGRAWAL

BANKERS

STATE BANK OF INDIA
CANARA BANK
PUNJAB NATIONAL BANK
BANK OF BARODA
INDIAN OVERSEAS BANK
ICICI BANK LTD.
PUNJAB & MAHARASHTRA CO-OP BANK LTD.

AUDITOR

YOGESH B. MEHTA
CHARTERED ACCOUNTANT
MUMBAI

REGISTERED OFFICE

UTTAM HOUSE,
69, P. D'MELLO ROAD,
MUMBAI - 400 009
E-MAIL : info@uttamgalva.com
WEBSITE : www.uttamgalva.com

BRANCHES

NEW DELHI
PUNE
GAZIABAD

WORKS

KHOPOLI - PEN ROAD, DONVAT,
DIST : RAIGAD - MAHARASHTRA

KHOPOLI - PALI ROAD, DAHIVALI,
DIST : RAIGAD - MAHARASHTRA

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VISION, MISSION AND VALUES OF UTTAM GALVA STEELS LIMITED

VISION

Become the world's favoured
flat steel products brand

MISSION

To consistently provide quality steel
products ensuring customer delight

VALUES

Integrity : Honouring all commitments
Value for Time : Business at supersonic speed
Ethics : Ethical business practices with
all stakeholders

Uttam Galva Steels Limited

5 YEARS' HIGHLIGHTS

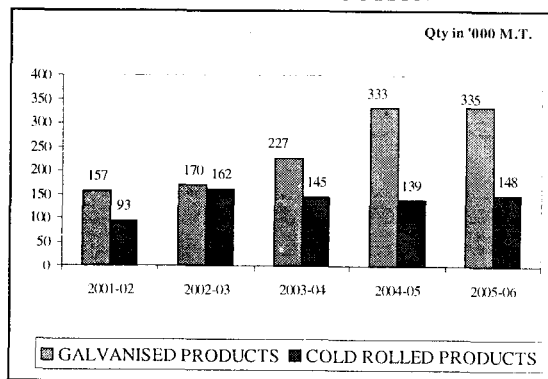
	2005-06	2004-05	2003-04	2002-03	2001-02
SALES & EARNINGS					
	(Rs. in Crore)				
LOCAL SALES	843	714	478	325	353
EXPORT SALES	1054	1442	742	528	239
GROSS SALES	1897	2156	1221	853	592
OTHER INCOME	10	5	4	2	1
TOTAL INCOME	1907	2162	1225	856	593
LESS : CENTRAL EXCISE DUTY	109	64	58	45	46
LESS : SELLING & DISTRIBUTION EXPENSES	106	131	63	53	37
SALES AND OTHER INCOME (EFFECTIVE)	1692	1967	1104	758	510
MATERIAL COST (INCL. STOCK VARIATION)	1366	1651	874	572	404
OTHER EXPENDITURE	129	116	100	81	66
PBIDT	197	199	130	105	41
INTEREST	77	645	74	67	34
PROFIT BEFORE DEPRECIATION & TAX (PBDT)	120	135	56	38	7
DEPRECIATION	38	32	30	28	27
PROFIT BEFORE TAX	82	103	25	10	(21)
PROFIT AFTER TAX	74	95	24	10	(21)
CASH ACCRUALS	112	127	54	36	7
ASSETS & LIABILITIES					
FIXED ASSETS : GROSS	1113	873	669	612	571
: NET	836	634	462	435	422
TOTAL ASSETS : NET	1201	769	553	500	470
REPRESENTED BY					
NET WORTH	344	264	153	130	112
SHARE CAPITAL - EQUITY	83	80	70	67	67
: PREFERENCE	5	5	5	5	5
SHARE APPLICATION MONEY	0	1	0	6	0
RESERVES	256	178	78	63	63
BORROWINGS	857	505	400	370	359
LONG TERM - SECURED	448	388	301	298	289
LONG TERM - UNSECURED	197	7	22	23	24
SHORT TERM	212	110	76	50	45
TOTAL FUNDS	1201	769	553	500	470
RATIOS					
EARNING PER EQUITY SHARE RS.....	9.13	12.57	3.43	1.44	(3.12)
BOOK VALUE PER EQUITY SHARE RS	41.19	32.92	22.04	18.45	16.64
DEBT: EQUITY RATIO @	1.30:1	1.47:1	1.96:1	2.29:1	2.59 : 1

@ ON SECURED LONG TERM BORROWINGS
EXCEPT FCCB

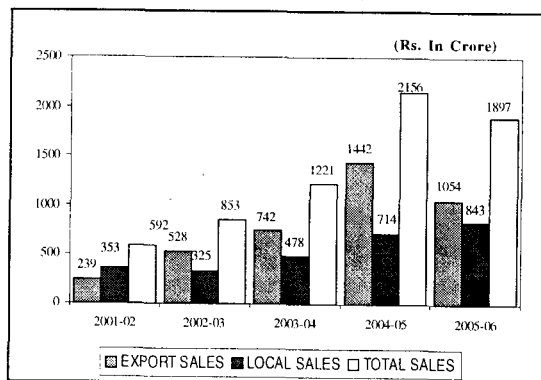


5 YEARS' HIGHLIGHTS

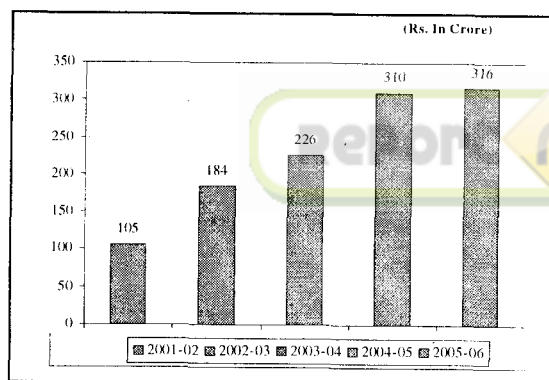
SALEABLE PRODUCTION



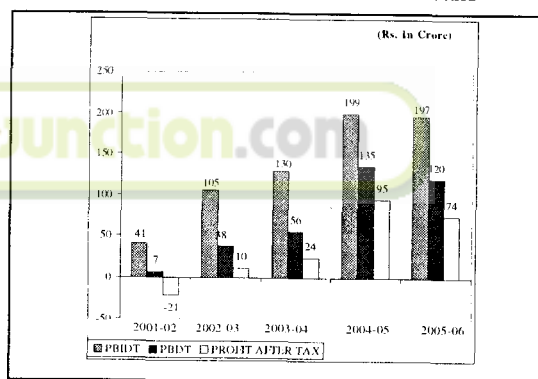
TOTAL SALES



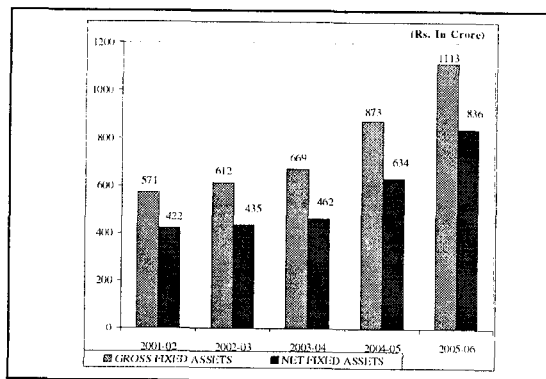
VALUE ADDITION



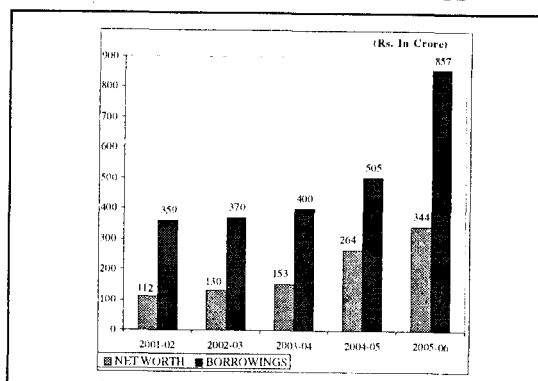
PBIDT/PBDT/PROFIT BEFORE TAX



FIXED ASSETS



NETWORTH AND BORROWINGS



Uttam Galva Steels Limited

NOTICE

NOTICE is hereby given that the 21st ANNUAL GENERAL MEETING of the Members of the Company will be held at 10:30 a.m. on Saturday, the 12th August, 2006 at M C Ghia Hall, 18/20, K. Dubhash Marg, Mumbai 400 001 to transact the following business :

ORDINARY BUSINESS :

1. To adopt the Profit & Loss Account for the Financial Year ended 31st March, 2006 and the Balance Sheet as at that date and Reports of the Board of Directors and the Auditor thereon.
2. To appoint a Director in place of Shri Praveen Miglani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S T Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint Shri Yogesh B. Mehta, Chartered Accountant as the Statutory Auditor for the Financial Year 2006-07, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 22nd Annual General Meeting and to authorise the Board of Directors to decide his remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Ordinary Resolution**:
"RESOLVED THAT Shri A K Mahendru, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 28th October, 2005 and who holds office as such up to the date of 21st Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri A K Mahendru as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956; the approval of the Members of the Company, be and is hereby accorded to the appointment of Shri A K Mahendru as a Whole-Time Director designated as a Director (Sales & Marketing) of the Company for a period of 3 years with effect from 28th October, 2005 on the following terms and conditions:
 1. Salary : Rs. 90,000/- p.m.
 2. Perquisites

CATEGORY-A

- a) House Rent Allowance : Rs. 30,000/-p.m.
- b) Other Allowances : Rs. 25,000/- p.m.
 eg: Entertainment, Professional Pursuit Allowances etc.
- c) Medical Reimbursement : Reimbursement of actual expenses for self and family subject to the ceiling of Rs. 15,000/-p.a.
- d) Leave Travel Concession : For self and family once in a year subject to the maximum of Rs. 36,000/- p.a.
- e) Leave : As per the Rules of the Company.

CATEGORY-B

- a) Contribution to Provident Fund and Superannuation Fund : As per the Rules of the Company.
- b) Gratuity : As per the Company's Rules subject to the maximum of 15 days' salary for each completed year of service.

CATEGORY-C

The Company would provide car for use of Company's business and telephone at residence, which will not be considered as perquisites. However, long distance telephone calls and use of Car for private purpose shall be billed by the Company.

3. In the event of the loss or inadequacy of profit in any financial year during his tenure as the Whole-Time Director, the aforesaid remuneration shall be treated as minimum remuneration.
4. The variation and increase in the remuneration of the Whole-Time Director shall not exceed 5% of the profits of the Company and the limits specified in the Schedule XIII of the Companies Act, 1956.
5. The above appointment may be terminated at any time by giving 60 days notice by either party.

RESOLVED FURTHER THAT the approval of the members of the Company be and is hereby accorded to the Board of Directors to alter and vary the terms and conditions of appointment of Shri A K Mahendru, including remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as the Board of Directors may deem fit and as may be agreed to by Shri A K Mahendru.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps, action as may be necessary, proper or expedient to give effect to this Resolution."

7. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Ordinary Resolution**:
"RESOLVED THAT Shri S G Tudekar, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 28th October, 2005 and who holds office as such up to the date of 21st Annual General Meeting and in respect of



whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri S G Tudekar as a candidate for the office of Director of the Company be and is hereby appointed, as a Director of the Company."

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956; the approval of the Members of the Company, be and is hereby accorded to the appointment of Shri S G Tudekar as a Whole-Time Director designated as a Director (Works) of the Company for a period of 3 years with effect from 28th October, 2005 on the following terms and conditions: -

1. Salary : Rs. 90,000/- p.m.
2. Perquisites

CATEGORY-A

- a) Housing : Accommodation at Khopoli
- b) Other Allowances : Rs. 55,000/- p.m.
eg: Entertainment, Professional Pursuit Allowances etc.
- c) Medical Reimbursement : Reimbursement of actual expenses for self and family subject to the ceiling of Rs. 15,000/-p.a.
- d) Leave Travel Concession : For self and family once in a year subject to the maximum of Rs. 36,000/- p.a.
- e) Leave : As per the Rules of the Company.

CATEGORY-B

- a) Contribution to Provident Fund
and Superannuation Fund : As per the Rules of the Company.
- b) Gratuity : As per the Company's Rules subject to the maximum of 15 days' salary for each completed year of service.

CATEGORY-C

The Company would provide car for use of Company's business and telephone at residence, which will not be considered as perquisites. However, long distance telephone calls and use of Car for private purpose shall be billed by the Company.

3. In the event of the loss or inadequacy of profit in any financial year during his tenure as the Whole-Time Director, the aforesaid remuneration shall be treated as minimum remuneration.
4. The variation and increase in the remuneration of the Whole-Time Director shall not exceed 5% of the profits of the Company and the limits specified in the Schedule XIII of the Companies Act, 1956.
5. The above appointment may be terminated at any time by giving 60 days notice by either party.

RESOLVED FURTHER THAT the approval of the members of the Company be and is hereby accorded to the Board of Directors to alter and vary the terms and conditions of appointment of Shri S G Tudekar, including remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as the Board of Directors may deem fit and as may be agreed to by Shri S G Tudekar.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps, action as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board of Directors

Registered Office :
Uttam House,
69, P.D'Mello Road,
Mumbai 400 009.

R K Agrawal
Vice President & Company Secretary

Date : May 30, 2006.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Explanatory Statement under section 173(2) of the Companies Act, 1956 in respect of item No. 5, 6, 7 & 8 of the Notice is enclosed herewith.
3. Register of Members and Share Transfer Books of the Company shall remain closed from 28th July, 2006 to 12th August, 2006 (both days inclusive).
4. Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their queries to the Company Secretary, so as to reach him at least seven days before the date of Meeting.

Uttam Galva Steels Limited

5. Members/Proxies attending the Meeting are requested to bring their Attendance Slip, sent herewith, duly filled in and also their copies of the Annual Report.
6. The Company's Shares are listed on Stock Exchanges at Mumbai, Delhi, Kolkata and at National Stock Exchange of India, Mumbai.
7. The transfer of Unclaimed Dividend to Investor Education & Protection Fund of the Central Government as required in terms of Section 205C of the Companies Act, 1956, during the current Financial Year is not applicable.
8. All queries relating to Share Transfer and allied subjects should be addressed to :

Mondkar Computers Private Limited

(Unit : UGSL)

21, Shakil Niwas,
Mahakali Caves Road,
Andheri (East), Mumbai 400 093.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5 & 6

Shri A K Mahendru is B.Tech, FIE & MIMA having a total experience of 39 years in Steel Industry. He joined the Company in the year 1995 and was elevated to as Executive Director of the Company w.e.f. 01.04.1999 and has been looking after the Marketing and Sales of the Company's products including development of new markets at home and abroad.

He was appointed as Additional Director with effect from 28th October, 2005 in accordance with the provisions of Section 260 of the Companies Act, 1956 and therefore holds office upto the date of this 21st Annual General Meeting.

In view of Shri A K Mahendru's vast work experience in the Steel Industry and outstanding performance in the Company, his appointment as a Whole-Time Director designated as Director (Sales & Marketing) is proposed on the terms and conditions as set out in the Ordinary Resolution at Item No. 6.

The terms and conditions of the appointment of Shri A K Mahendru as a Whole-Time Director designated as Director (Sales & Marketing) as set out in the Ordinary Resolution at Item No. 6 should also be treated as Abstract of the terms and conditions of the said appointment Under Section 302 of the Companies Act, 1956.

None of the Directors except Shri A K Mahendru are concerned or interested in these Resolutions.

The Board recommends the Resolutions at item Nos. 5 & 6.

Item No. 7 & 8

Shri S G Tudekar is a Graduate Engineer in "Metallurgy" having total experience of 46 years in Steel Industry. He has joined the Company in 1998 and was elevated to as Executive Director (Works) w.e.f. 01.04.2000 and has been looking after the operations of the Plants at Khopoli including the development of new products and modernization of the Plants.

He was appointed as Additional Director with effect from 28th October, 2005 in accordance with the provisions of Section 260 of the Companies Act, 1956 and therefore holds office upto the date of this 21st Annual General Meeting.

In view of Shri S G Tudekar's vast work experience in the Steel Industry and his outstanding performance in the Company, his appointment as a Whole-Time Director designated as Director (Works) is proposed on the terms and conditions as set out in the Ordinary Resolution at Item No. 8.

The terms and conditions of the appointment of Shri S G Tudekar as a Whole-Time Director designated as Director (Works) as set out in the Ordinary Resolution at Item No. 8 should also be treated as Abstract of the terms and conditions of the said appointment Under Section 302 of the Companies Act, 1956.

None of the Directors except Shri S G Tudekar are concerned or interested in these Resolutions.

The Board recommends the Resolutions at item Nos. 7 & 8.

By Order of the Board of Directors

Registered Office :
Uttam House,
69, P.D'Mello Road,
Mumbai 400 009.

Date : May 30, 2006.

R K Agrawal
Vice President & Company Secretary



DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure to present Twenty First Report on the business and operations of the Company, along with the Audited Statement of Accounts for the Financial Year ended 31st March, 2006.

1. FINANCIAL RESULTS (Stand Alone Basis) :

PARTICULARS	Year ended 31 st March, 2006 (Rs. in Crore)	Year ended 31 st March, 2005 (Rs. in Crore)
Sales & Other Income	1897.06	2156.11
Gross Profit before Depreciation and Interest	197.09	199.40
Less : Interest & Financial Charges	77.44	64.48
Cash Profit	119.66	134.93
Less : Depreciation	37.99	32.20
Profit before Tax	81.66	102.72
Less : Provision for Tax	7.33	8.05
Profit after tax	74.33	94.67
Balance Carried to Balance Sheet	182.70	109.25

2. OPERATIONS :

Your Company has achieved turnover of Rs. 1897.06 Crores as against Rs. 2156.11 Crores during the previous year. Your Company has recorded Profit Before Tax of Rs. 81.66 Crores as against Rs. 102.72 Crores during the previous year.

Sales Turnover during the year is lower, mainly due to drastic fall in the prices of HR Coils. To large extent Company has been able to make up for the price reduction by changing the product mix and improving its share in high value added steel products.

Production of CR Coil during the year has been higher by more than 10% over the last year.

Your Company is pursuing very ambitious growth plans to increase its capacity and diversify product base. This will significantly improve the profitability in coming years and will enable the Company to thrive in any downturn in Steel cycle due to better product mix and lower long term costs.

Owing to expansions and importance of timely executions of projects, your Board is of opinion that cash flow should not be disturbed and hence has decided to plough back earnings for the time being and not to recommend the dividend payout.

3. EXPORTS :

The gross export turnover has gone down by 27% i.e to Rs. 1053.94 Crores compared to Rs.1442.17 Crores during the previous year mainly due to steep fall in HR Coil prices in the International Markets consequently reduction in selling price of CR & GP/GC. Further your Company took a conscious decision to sell more in domestic market due to better sales realization.

Your Company foresees volatile demand for steel worldwide and will therefore continue to focus both on exports and domestic market and dynamically shift focus depending on market conditions in order to maximize profitability.

Uttam Galva Steels Limited

4. MANAGEMENT DISCUSSION AND ANALYSIS :

Pursuant to Clause 49 (IV) (B) & (F) of the Listing Agreement your Directors wish to report as follows:

a. Industry Structure and Development

The market dynamics are in constant flux and global outlook in short term is unpredictable. However, dynamic planning, value added product mix and continuous efforts to control costs will ensure our progress in years to come.

b. Opportunities and Threats

Opportunities exist with the increase in higher value added steel consumption on a steady growth path in the country and the expectation of strengthening of the Indian economy. However, the Indian Steel Industry is a still primarily export based.

c. Segment – wise Performance

Since your Company operates only in one Segment, Segment wise or product wise analysis or performance is not applicable.

d. Outlook

The long term outlook for the industry and consequently for your Company is stable and reasonably good. Demand for our products will grow continuously as infrastructure, construction, Automobiles and White Goods Industries are doing well globally.

e. Risks and Concerns

Extreme volatility in international and domestic markets could be the only risk which may be faced by the Steel Industry. Other risks or concerns related to finance, production, stocks, insurance, etc. are being managed adequately and efficiently by your Company.

f. Internal Control Systems and their adequacy

Effective internal operational control systems and regular internal audit mechanism to monitor and review the same under the overall control and supervision of the Internal Auditor and the Audit Committee of Directors are in place and functioning well. This has substantially contributed to the better management. Efforts for continued improvements are being consistently made in this regard.

g. Discussion on Financial Performance with respect to Operational Performance

The financial performance with respect to the operational performance during the year under review was reasonably good.

h. Material Development in Human Resources / Industrial Relations including Number of People Employed

Implementation of healthy practices of HRD activities for overall development of human resources and induction of professionally qualified and skilled manpower including internal and external training programmes are the constant features of your Company. Presently, your Company is employing about 800 employees. Your Company is proud of healthy industrial relations.

i. Material Financial and Commercial Transactions:

There are no materially significant financial and commercial transactions with the related parties conflicting with the interest of the Company during the financial year under review. The Promoters and the Directors are not dealing in the Equity Shares of the Company.

5. CORPORATE GOVERNANCE :

Your Company has implemented all the mandatory requirements pursuant to Clause 49 (as amended) of the Listing Agreement. A detailed report on Corporate Governance along with a certificate from the Auditors confirming the compliance is annexed hereto and forms part of the Directors' Report as Annexure-III.

6. AUDIT COMMITTEE :

The Meetings of the Audit Committee of Directors as required under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement took place on 20th April, 2005, 20th May, 2005, 29th July, 2005, 28th October, 2005 and 17th January, 2006 during the year under review. The said Committee is discharging its due obligations and responsibilities diligently as required.

7. DIRECTORS :

During the year under review Shri D R Jawahar (Nominee of IDBI Bank Ltd) ceased to be Director on the Board w.e.f. 20th December, 2005 and Shri Vijay Daulatrao Shinde has joined the Board on 20th December, 2005 in his place.

Shri Praveen Miglani and Shri S T Parikh, retire by rotation and being eligible have offered themselves for re-appointment. The Board of Directors recommend their re-appointment.

Shri A K Mahendru and Shri S G Tudekar, Executive Directors of the Company were appointed as Additional Director and Whole-Time Director by the Board on 28th October, 2005. Their terms of appointment are placed before the Members for approval.

8. PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956 :

Information required for particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 is enclosed herewith as Annexure – II.