



# **LLOYDS STEEL INDUSTRIES LIMITED**

**36<sup>th</sup>  
Annual Report  
2005 - 2006**

**BOARD OF DIRECTORS****CHAIRMAN** MUKESH R GUPTA**MANAGING DIRECTOR** RAJESH R. GUPTA**DIRECTORS**

B. L. AGARWAL

B. RAVINDRANATH (IDBI NOMINEE)

S. K. SINGHAI (IFCI NOMINEE)

SAMEER PHUTANE (ICICI BANK NOMINEE)

**BANKERS**

CENTRAL BANK OF INDIA

STATE BANK OF INDIA

STATE BANK OF HYDERABAD

CREDIT AGRICOLE INDOSUEZ

THE FEDERAL BANK LIMITED

PUNJAB NATIONAL BANK

STATE BANK OF TRAVANCORE

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LIMITED

INDUSIND BANK LIMITED

BANK OF INDIA

ORIENTAL BANK OF COMMERCE

**AUDITORS**

TODARWAL &amp; TODARWAL

**REGISTRAR & SHARE TRANSFER AGENTS**

BIGSAHRE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka

Andheri (E), Mumbai- 400 072.

**REGISTERED OFFICE :**

Modern Centre,

'B' Wing, 2nd Floor,

Sane Guruji Marg, Mahalaxmi,

Mumbai- 400 011.

**WORKS****Steel Plant :-**

Lloyds Nagar,

Bhugaon Link Road, Wardha,

Maharashtra, India.

**Engg. Plant :-**

Plot No. A-5/5 &amp; A6/3,

MIDC Industrial Area,

Murbad. Dist. Thane.

Maharashtra, India.

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## NOTICE

**NOTICE** is hereby given that the 36<sup>th</sup> Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Half of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on **Saturday, the 5<sup>th</sup> day of August, 2006** at 11.00 a.m. to transact the following business :-

### ORDINARY BUSINESS :

1. To consider, approve and adopt the Profit and Loss Account of the Company for the year ended on 31<sup>st</sup> March, 2006 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri Mukesh R Gupta, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration

### SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification/s, the following resolution as a Special Resolution :

**RESOLVED THAT** pursuant to and in accordance with the provisions of Section 80, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and all other applicable laws and regulation including the Securities and Exchange Board of India Guidelines, the Reserve Bank of India Guidelines, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement (s) with Stock Exchanges, on which the Shares of the Company are listed or may hereafter be listed (including any amendment thereto or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents as may be required under applicable laws and regulations and of concerned Authorities, Bodies and Agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, from time to time in one or more tranches, Redeemable Preference Shares (RPS) of Rs. 10/- (Rupees Ten) each fully paid-up at par to be redeemed with a premium of 11.5% commencing from Financial Year 2016 not exceeding Rs.1,29,54,200/- (Rupees One Crore Twenty Nine Lacs Fifty Four Thousand Two Hundred only) (the "Preference Shares") to Financial Institutions which have provided the loans and advances to the Company by conversion of part of their existing loans and advances under and by way of preferential issue on private placement basis through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion with power to settle details as to the form and terms of issue of the Preference Shares and all other terms, conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by persons involved with any such issue of Preference Shares subject, however, to all applicable laws and regulations."

**RESOLVED FURTHER THAT** without prejudice to the generality of the foregoing, the Board be and is hereby authorised to prescribe in its sole discretion with respect to the aforesaid issue of the Preference Shares all or any of the terms or any combination of terms including but not limited to conditions in relation to offer, issue and allotment of Preference Shares, redemption or early redemption of the Preference Shares."

**RESOLVED FURTHER THAT** the Preference Shares so issued shall be subject to the Memorandum and Articles of Association of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board of Directors of the Company be and is hereby authorised to take all such actions, give such directions and to do all such acts, deeds, matters and things as may be necessary, desirable or incidental thereof and matters connected therewith and settle all questions and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities as it may in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members."

By order of the Board

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

**S N Tiwari**  
Company Secretary

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. Documents referred to in Notice are open for inspection at the Registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday the 24<sup>th</sup> day of July, 2006 to Saturday, the 5<sup>th</sup> day of August, 2006** (both days inclusive).
6. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of the meeting to enable the Management to keep full information ready.
7. Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the Share Certificate (s) to the Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, for consolidation of all such Shareholdings into one account to facilitate better services.
8. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31<sup>st</sup> March, 1995 have been transferred to the General Revenue Account of the Central Government, Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2<sup>nd</sup> Floor, Dattaram Lad Path, Kala Chowky, Mumbai - 400 033.
9. Consequent upon amendment in Section 205 A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment Act, 1999), the amount of the dividend remaining unclaimed for a period of seven years pertaining to financial year ended 31<sup>st</sup> March, 1996 has been transferred to the Investors Education and Protection Fund.
10. Members are requested to notify any changes in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.

**INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT**

As required under the Listing Agreement, the particular of Directors who is proposed to be re-appointed is given below :

Name : Shri Mukesh R Gupta  
 Age : 48 years  
 Qualifications : B.Com.  
 Expertise : Having over two decades of vast and varied experience in Steel Industry. He has rich experience in the field of implementation of projects, finance, marketing and procurement of material.  
 Other Directorship : Lloyds Metals & Engineers Ltd., Vidarbha Power Ltd.

Section 81 of the Companies Act, 1956 and Listing Agreement with Exchanges, provides, inter-alia, that where it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the persons who at the date of offer are holders of the Equity Shares of the Company in proportion to the capital paid-up on those Shares as of that date, unless the shareholders in general meetings decides otherwise. The Special Resolution seeks, the consent of the Shareholders authorising the Board of Directors to issue / allot Redeemable Preference Shares (RPS) on preferential basis through Private Placement.

The Board of Directors recommends the resolution(s) set out at Item No.4 of the accompanying Notice for approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution(s).

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**

By order of the Board

**Item No. 4**

Place : Mumbai  
 Dated : 25<sup>th</sup> May, 2006

**S N Tiwari**  
 Company Secretary

The Company has arrived at a negotiated settlement with its existing Lender (Financial Institution who have provided loans and advances to the Company) for conversion of part of their existing debt into Redeemable Preference Shares (RPS) in the Company as part of restructuring of the Company's debt.

The Main terms of the Preference Shares proposed to be issued are as under :-

- i) The RPS will be redeemed with a premium of 11.5% in 6 annual installments commencing from Financial Year 2016.
- ii) RPS shall be having face value of Rs.10 per share.
- iii) The RPS will not carry any right to dividend.

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## DIRECTORS' REPORT

The Directors present their 36th Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 2006.

### FINANCIAL HIGHLIGHTS

	Current Year 2005-06 (Rs. In Lacs)	Previous Year 2004-05 (Rs. In Lacs)
<b>Sales :</b>	<b>158648.23</b>	<b>151799.39</b>
<b>Other Income</b>	<b>1118.85</b>	<b>95.04</b>
<b>Total Income :</b>	<b>159767.08</b>	<b>151894.43</b>
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	2651.45	18215.23
Less : Finance Charges	3932.46	2309.35
Depreciation	10907.11	10925.89
Profit / (Loss) before exceptional items & taxes	(12188.12)	4979.99
Add: Exceptional items (Net)	5904.27	7155.23
Profit/(Loss) before tax	(6283.85)	12135.22
Tax Provision	36.80	0.00
<b>Profit/(Loss) after Tax</b>	<b>(6320.65)</b>	<b>12135.22</b>
Add: Prior Period Income	67.40	68.73
<b>Net Profit/ (Loss)</b>	<b>(6253.25)</b>	<b>12203.95</b>
Profit / (Loss) b/f from previous year	(108860.94)	(121064.88)
Balance Carried Forward	(115114.19)	(108860.94)

### DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31st March, 2006.

### OPERATIONS & OVERALL PERFORMANCE

During the year under review, the steel prices has seen a steep fall of almost 30% following the fall in International Steel Prices. In the face of rising input costs and falling realisations the performance of the Company was affected adversely. The Company achieved a Turnover of Rs. **1586.48** crores as against Rs.1517.99 crores in the previous year, showing a marginal rise of 5%.

The pressure on prices continued throughout the year coupled with increase in input costs which kept moving up unabated. The area of satisfaction for the Company was, however on productivity front where it could record better volumes during the year. The Company, incurred a net Loss at **Rs.63.21** crores during the year as compared with previous year Profit of Rs.121.35 crores after providing depreciation of **Rs.109.07** crores (Previous year Rs.109.26 crores).

### DEBT RESTRUCTURING

On the restructuring/settlement of debts with the Financial Institutions and Banks, the Company made reasonable progress. During the year, debt liabilities of over Rs.154 crores has been restructured which resulted in a reduction of debt of over Rs.84 crores for the Company bringing down further the debt servicing cost. The Company has paid off Rs.73.21 crores during the year towards past Debt liabilities. The Restructuring proposals are under various stages of discussion with remaining lenders.

During the year, Company has issued Redeemable Preference Shares at par of Rs.234.98 Crores against part conversion of its debt to IDBI as per the approval of Members at the last Annual General Meeting. As per the Debt Restructuring arrangement with IDBI, Company has to further issue preference shares at par of Rs.1.29 crore against part conversion of debt liabilities. These Preference Shares will be redeemed with a premium of

11.5 % commencing from 2016. The necessary resolution is incorporated in the Notice convening the Annual General Meeting for approval of the members. Your Directors are of the view that the conversion of debt into preference shares is beneficial to the Company as this will strengthen the Networth of the Company.

### Steel Products

During the year under review, the Steel Products Sales has reached a figure of **Rs.1458.61 crores** as against the previous year figure of Rs.1447.40 crores. With domestic steel industry grappling with a problem of falling realisations, the Company could not pass on constantly rising input cost to its customers, the main reason for poor show of the Company during the year. The Export during the year was at **Rs.127.28 Crores** as against Rs.158.49 crores recorded during the previous year.

During the year, the Company for balancing various product sections, has installed a new slab caster and a new galvanising Line apart from installation of some other equipments with a view to optimise the product mix.

### Engineering Products

The Engineering Products, during the year under review has recorded sales at **Rs.127.87 crores** as compared to the previous year of Rs.70.59 crores. The increase in sales is due to revival of the industry and successful completion of many jobs. The Company during the year has successfully executed jobs for Welspun Power & Steel Ltd., GAIL India Ltd; HPCL, Chennai Petroleum Ltd; IOC amongst others. The Company has secured orders from Welspun Stahl Rohren Ltd. for supply of side guards and cooling bed and IOC for supply of Marine Loading Arms. The Company is presently executing a major order for setting up a Pelletization Plant at Orissa. The Company continue to support in supply of spares and services to Navy, Coast Guard, Mumbai Port Trust, GRSE and major Oil and Gas sector companies.

### MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is manufacturing and marketing Iron and Steel products and manufacturing capital equipments and turnkey projects. The Management discussions and analysis is given hereunder:-

- Industry structure and development :** Globally, Steel prices started firming up about three years ago and remained strong till 2004. However in 2005, steel prices dipped affecting the steel industry. The Engineering Products of the Company has been approved for its engineering skills/works/services by various premier consulting companies and inspection agencies. The company has further been approved by Industrial Boiler Regulatory Authority. The development of engineering industry depends on the development of core sectors.
- Opportunities and threats:** High economic growth and infrastructure development in the country would offer opportunities and the Company would continuously try to remain competitive to take advantage of opportunities coming its way. For Engineering Products Company has entered into Tie up arrangements and Teaming Agreements with various Foreign Entities for manufacturing and supply of Critical Spares and Systems in India.
- Segment-wise performance:** The Company is mainly in the business of manufacturing Steel and Capital Equipments and Turnkey Projects. The Company has no activity outside India except export of steel products manufactured in India. Segment wise performance is given at Note No.17 of Schedule Q i.e. Notes on Accounts.
- Outlook:** The outlook for the steel industry depends on global steel prices which have recently shown some signs of improvement after remaining dull throughout the previous year. A strong domestic economic growth and a global revival will give impetus to growth of the industry. For Engineering Industry, the Current year appears to be more encouraging and promising. The Company is participating in the tenders of major public sector undertaking amongst various other companies.
- Risk and concerns:** The year under review has been a lack lustre one for the Indian steel industry. The Company's market development, order procurement and supply management have been re-engineered and new practices adopted at all levels. Technological obsolescence is an inherent business risk and fast adaptability to change is crucial

for survival of business. The Company undertakes continuous modernisation programme to maintain efficient operations.

- f) **Internal control system:** The Company maintains adequate internal control systems, which provide adequate safeguards and proper monitoring of the transactions. The Company has appointed an Internal Auditor who reports to the Managing Director and Audit Committee of the Board. The Internal Auditor conducts monthly audits to ensure that the Company's control systems are adequately followed and all statutory requirements are complied with.
- g) **Discussion on financial performance with respect to operating performance:** The operating performance of the Company has been discussed in Directors Report under the head 'Financial Highlights and Operations and Overall Performance' in the current year.
- h) **Human resources and industrial relations:** During the year under review the Employee/Industrial relations at all units and job sites remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines. Despite continuing working capital constraints, morale of the employees remained high. Number of employees as on 31st March, 2006 was 1305.
- i) **Cautionary Statement:** The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements' within the meaning of applicable laws and regulations. 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 demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

#### RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

#### REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No. 3(L-7) BC/2001 dated 11th July 2001.

The Hon'ble BIFR vide its order dated 1st March, 2006, after hearing the matter has declared the Company as a sick industrial company in terms of section 3 (1) (o) of SICA and appointed ICICI Bank Ltd. as the Operating Agency to prepare a Draft Rehabilitation Scheme (DRS).

The Company has submitted a Draft Rehabilitation Scheme (DRS) to the ICICI Bank Ltd., OA and the copy of the same is forwarded to the BIFR. After convening lenders meeting and eliciting their view, DRS will be submitted to BIFR.

#### INVESTOR SERVICES

The Company and its Registrars M/s. Bigshare Services Private Limited who is looking after the physical as well as Demat work and also shareholders correspondence in terms of SEBI direction, for having a common Registrar and Share Transfer Agent, endeavored their best to service the Investors satisfactorily.

#### DIRECTORS

Shri P C Soni, Director of your Company, has resigned from Board/Committees of the Company w.e.f. 25th May, 2006 due to his preoccupation.

The Board hereby places on record its sincere appreciation for the valuable guidance and meaningful contribution made by Shri. P C Soni as member of the Board, Audit Committee and Managerial Remuneration Committee during the period of his association with the Company.

Shri Mukesh R. Gupta, Director of the Company, retire by rotation and being eligible, offer himself for reappointment.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that :

1. In the preparation of annual accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
3. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. Final accounts have been prepared on going concern basis.

#### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance and the Auditor's Certificate on its compliance are annexed hereto and forms part of this Annual Report.

#### ENVIRONMENT & SOCIAL OBLIGATION

The Company's plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution.

The Company is continuously endeavoring to improve the quality of life in the communities surrounding its industrial complex.

#### PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year.

#### AUDITORS & AUDITORS' REPORT

The members are requested to appoint Auditors and fix their remuneration.

As regards qualification at Sr.No.4 (e) in the Auditors' Report, Directors wish to state that in view of the ongoing discussion for restructuring of the debt and interest liability, the Company has not provided for interest on some loans. Auditors' observations in Clause No. 9, 10 & 11 in the Annexure Audit Report (CARO Report) are self explanatory and do not require further explanation.

#### PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'A' forming part of this report.

#### ACKNOWLEDGEMENT:

Your Directors would like to express their grateful appreciation for the assistance and continued co-operation extended by the Financial Institutions, Banks, Government Authorities, Clients and Suppliers during the year under review. The Directors wish to place on record their deep sense of appreciation for the devotion and sense of commitment shown by the employees at all levels and acknowledges their contribution.

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

Mukesh R Gupta  
Chairman

**ANNEXURE - A**

STATEMENT PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

**(A) CONSERVATION OF ENERGY****Engineering Products**

Form "A" is not applicable at its activities does not fall under the list of Industries specified in the Schedule attached to Rule 2.

**Steel Products**

- Steel melting process time reduction and reduction in electrical power consumption by 10% after installation of Supersonic Jet Lances for Oxygen and Carbon.
- Use of carbide in steel making has reduced LF time and LF power.
- CCM segment management has been improved to reduce incidents of caster breakouts.
- Installation of non-ox furnace in CGL-2 by using high velocity LPG burners resulted in reduced LPG consumption.
- Installation of AC Drive in CGL-2 resulted into saving in power consumption.
- Modification of Galvanising Line-1 to increase Line speed, which resulted into saving of power.

**(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION****Research & Development (R & D)****Steel Products**

Sr. Particulars

No.

**1 Specified areas in which R & D carried out by the Company**

- CCM Water flow control and mould renewal have been introduced to produce slabs free from transverse cracks.
- Introduction of Jet Box techniques have resulted in foamy slag practice and consequently allowed use of low grade DRI.
- Improvement in Wear Resistant Steel Grade used for DRI silos, coal washeries and coal handling chutes, has resulted in zero complaint regime.
- Installation of Oxygen PPM Analyser at battery limit.
- Developed special grade of GP products i.e. SS GR 80/ SS GR 50.

**2. Benefits derived as a result of R & D**

- Development of Wear Resistant Steel.
- Lower consumption of electrical power in steel making.
- Prevention of CCM breakouts.
- Improvement in surface quality of galvanized products and productivity.

**3 Future plan of action for R & D.**

- Development of API SL X 80 grade.
- Use of coolant oil for reduction in rolling electrical power

**4 Expenditure on R & Ds**

Expenses on R &amp; D Rs 4.06 lacs

**1) Technology Absorption, Adaptation and Innovation :**

Installation of Supersonic Jet Boxes in EAF-1 &amp; 2.

**2) Benefit :**

- Saving in power and increase of productivity
- Increased flexibility of rolling of HR

**3) NOT APPLICABLE****(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The details of Foreign Exchange Earnings and Outgo are as under :

(Rs In Lacs)

	2005-06	2004-05
(a) <b>Earnings</b>		
a. Brokerage and Commission	Nil	16.25
b. Exports including Deemed and Third Party	14788.55	18053.64
(b) <b>Outgo</b>		
Travelling/Books Periodicals	110.88	61.36
Imported Raw Materials, Stores & Spares, etc.	24580.39	18189.08
Interest	2541.11	433.70
Brokerage & Commission	313.66	23.62
Repairs & Maintenance	14.10	54.54
Others	24.34	Nil

For and on behalf of the Board of Directors

**FORM 'A'**

Form for Disclosure of Particulars with respect to Conservation of Energy :

		UNIT	2005-06	2004-05
<b>A. Power &amp; Fuel Consumption</b>				
<b>1 Electricity</b>				
<b>a) Purchased</b>				
Units	Kwh		502872630	441635172
Total Amount	Rs.		1619555405	1404947449
Rate/Unit	Rs/kwh		3.22	3.18
<b>b) Own Generation</b>				
<b>i) Through Diesel Generator</b>				
Units	Kwh		7808	3804
Units per ltr. of Diesel Oil	Kwh/ltr		2.17	2.08
Cost/Unit	Rs/kwh		15.46	18.28
<b>ii) Through Steam Turbine / Generator</b>				
Units			NIL	NIL
Units per ltr. of Fuel Oil/Gas			NIL	NIL
Cost/Unit			NIL	NIL
<b>2 Coal</b>				
Quantity	Ton		NIL	NIL
Total Cost	Rs.		NIL	NIL
Average Rate	Rs/Ton		NIL	NIL
<b>3. Fuel Oil</b>				
<b>a) Furnace Oil</b>				
Quantity	Kl		27509	23950
Total Amount	Rs.		415111938	252760198
Average Rate	Rs/Kl		15090	10554
<b>b) LDO</b>				
Quantity	Kl		2407	2346
Total Amount	Rs.		62314285	48737204
Average Rate	Rs/Kl		25888	20772
<b>4 Others/Internal Generation</b>				
Quantity			NIL	NIL
Total Cost			NIL	NIL
Rate/Unit			NIL	NIL
<b>B. Consumption per unit of production</b>				
<b>1 HR PRODUCTS</b>				
- Electricity	kwh/mt		908	937
- Furnace Oil	ltr/mt		56	54
- LDO	ltr/mt		2.36	3
<b>2 GP/GC PRODUCTS</b>				
- Electricity	kwh/mt		1349	1387
- Furnace Oil	ltr/mt		62	61
- LDO	ltr/mt		10	11
<b>3 CR PRODUCTS</b>				
- Electricity	kwh/mt		1284	1304
- Furnace Oil	ltr/mt		62	61
- LDO	ltr/mt		10	11

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

**Mukesh R Gupta**  
Chairman

Place : Mumbai  
Dated : 25<sup>th</sup> May, 2006

**Mukesh R Gupta**  
Chairman

## CORPORATE GOVERNANCE

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Board of Directors of **Lloyds Steel Industries Limited**

We have reviewed implementation of Corporate Governance procedure set by Lloyds Steel Industries Limited ("The Company") for the year ended 31<sup>st</sup> March, 2006 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For **Todarwal & Todarwal**  
Chartered Accountants

**Sunil Todarwal**  
Partner

Place : Mumbai

Dated : 25<sup>th</sup> May, 2006

### CORPORATE GOVERNANCE :

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to pursue objective that are in the best interest of the Company and its shareholders.

#### 2. BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of :-

Promoter Directors	3
Non-executive – Nominee Directors	
Representing IDBI, IFCI & ICICI Bank Ltd	3
Non-executive Independent Director	1
Attendance of each Director at the Board of Directors meetings and the last AGM is as follows.	

Director	No. of meeting held	Last AGM Attended	No. of Directorship in other public Company	Remarks
Mr. Mukesh R. Gupta	4	4	Yes	2
Mr. Rajesh R. Gupta	4	4	Yes	2
Mr. B. L. Agarwal	4	4	Yes	3
Mr. P. C. Soni	4	4	Yes	1 Resigned w.e.f 25.5.2006
Mr. B Ravindranath	4	4	No	1 Appointed w.e.f. 30.05.2005
Mr. Sameer Phutane	4	3	No	2
Mr. S K Singhai	4	2	No	4
Mr. T. B. Ananthanarayanan	4	0	No	- Ceased to be a Director w.e.f. 30.5.2005

Number of Board of Directors meeting held and the dates on which held:

4 (Four) Board Meetings were held during the year. The dates on which the meetings were held were 30<sup>th</sup> May 2005, 29<sup>th</sup> July 2005, 28<sup>th</sup> October 2005 and 27<sup>th</sup> January 2006.

### CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management. The said code has been communicated to the Directors and the Members of the Senior Management. The Code has also been posted on the Company's website at [www.lloydsigroup.com](http://www.lloydsigroup.com)

#### 3. AUDIT COMMITTEE :

##### a) Terms of Reference :

The broad terms of reference of Audit Committee are as follows :-

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.

- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with the management, the adequacy of internal control and audit system.
- Discussing with internal auditors any significant findings and follow up on such issues.
- Reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board.
- Discussing with external auditors before the audit commences on the nature and scope of audit as well as having post audit discussion to ascertain any area of concern.
- Review of financial and risk management policies and practices.

#### b) Composition, Name of Members and Chairperson :

As on 31<sup>st</sup> March, 2006, the Company had re-constituted Audit Committee comprising of 4 Directors with 3 Independent Non-executive Directors, including 2 Nominee Directors as follows :

Mr. P. C. Soni - Chairman	Independent Director	Resigned w.e.f. 25.5.2006
Mr. B. L. Agarwal	Promoter Director	-
Mr. Sameer Phutane	ICICI Bank Nominee Director	-
Mr. B. Ravindranath	IDBI Nominee Director	-

#### c) Meetings and attendance during the year

The Committee has met 4 times during the financial year ended March 31<sup>st</sup> 2006 i.e. 30<sup>th</sup> May 2005, 29<sup>th</sup> July, 2005, 28<sup>th</sup> October, 2005 and 27<sup>th</sup> January, 2006. The attendance of the members are as under :-

Name of Director	No. of Meetings held	No. of Meetings Attended	Remark
Mr. B L Agarwal	4	4	-
Mr. P C Soni	4	4	-
Mr. B Ravindranath	4	4	-
Mr. Sameer Phutane	4	3	-

However, Mr. P C Soni has resigned from the Committee w.e.f. 25<sup>th</sup> May, 2006.

#### 4. REMUNERATION COMMITTEE :

The Remuneration of Director in all the cases is decided by the Board subject to necessary approval of shareholder and other applicable approvals, if any. Save and except , Mr. Rajesh R Gupta, Managing Director, no other director is drawing remuneration.

The Company has constituted a Remuneration Committee of the Board comprising of three (3) Non-executive Independent Directors. The Committee shall have powers to determine remuneration packages of Working Directors and the Company's policy on remuneration and any other compensation related matters. However, Mr. P C Soni has resigned from the Committee w.e.f. 25<sup>th</sup> May, 2006.

During the year Mr. Rajesh R Gupta, Managing Director has been paid as per schedule XIII of the Companies Act, 1956 aggregate remuneration of Rs.25.44 Lacs by way of Salary, Remuneration & contribution to Provident Fund. The remuneration paid to Managing Director from 1<sup>st</sup> January, 2005 onwards is subject to the approval of Central Government for which necessary application has been made.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

#### 5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted the Share Transfer & Investor Grievance Committee comprising of 3 Directors. Mr. Mukesh R. Gupta, Mr. B. L. Agarwal and Mr. Rajesh R Gupta are the members of this committee. The committee is headed by Mr. B L Agarwal, a non executive director.

The Committee oversees the performance of the Registrar and Transfer Agents', recommend measures to improve the level of investor services and matters pertaining to shareholders' complaints and grievances.

The Board has designated Mr. S. N. Tiwari, Company Secretary, as the Compliance Officer.

The Committee meets fortnightly for the approval of the share transfers/issue of duplicate shares/replacements etc.