



41st
Annual Report
2010-2011

LLOYDS STEEL
INDUSTRIES LIMITED

BOARD OF DIRECTORS

CHAIRMAN MUKESH R. GUPTA

MANAGING DIRECTOR RAJESH R. GUPTA

DIRECTORS

B.L. AGARWAL

B. RAVINDRANATH (IDBI NOMINEE)

S. K. GUPTA (ARCIL NOMINEE)

B. L. KHANNA (BIFR SPL DIRECTOR)

K. A. KRISHNA RAO

BANKERS

STATE BANK OF INDIA

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LIMITED

AUDITORS

TODARWAL & TODARWAL

REGISTRAR & SHARE TRANSFER AGENTS

BIGSHARE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka,

Andheri (E), Mumbai – 400 072.

Tel No. - 022 - 4043 200 / 299

Fax No. - 022 - 2847 5207

E-mail - investor@bigshareonline.com

REGISTERED OFFICE :

Trade World, C Wing,

16th Flr, Kamala City,

Senapati Bapat Marg,

Lower Parel, Mumbai - 400 013

WORKS

Steel Plant :-

Lloyds Nagar,

Bhugaon Link Road,

Wardha, Maharashtra, India

Engg. Plant :-

Plot No. A-5/5 & A-6/3

MIDC Industrial Area,

Murbad. Dist Thane,

Maharashtra, India.

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NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on **Saturday, 8th October, 2011** 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 period ended on 30th June, 2011 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint Shri Mukesh R Gupta, Director who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to approval of the Central Government and such other approvals / consents as may be required, Consent of the members be and is hereby accorded to the reappointment of Shri Rajesh Gupta as Managing Director of the Company for a period of five years with effect from 1st January, 2012 upon remuneration, perquisites, and other allowances as set out below with the liberty to the Board of Directors to alter and vary the terms and conditions of appointment including remuneration payable in such manner within the overall limits specified in schedule XIII to the said Act:-

- | | | |
|---|---|---------------------|
| a) Basic Salary | : | 1,00,000 per month |
| b) House Rent Allowance | | 60% of Basic Salary |
| c) Medical Allowance, | } | 40,000 per month |
| d) Leave Travel Allowance & | | |
| e) Other Perquisites | | |
| f) Leave :- One Month's leave with full salary for every 11 months. | | |

In addition to this he is also eligible for:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT notwithstanding loss or inadequacy of profits by the company in any financial years during the period of five years from 1st January, 2012, Shri Rajesh Gupta, shall be paid aforesaid remuneration by way of Salary, perquisites and other allowances as minimum remuneration subject to and in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS

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 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any amendment thereto or re-enactment thereof) and subject to 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 and all other applicable laws and regulation including the Securities and Exchange Board of India Regulations/Guidelines 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 Committee thereof which the Board 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 Board be and is hereby authorized on behalf of the Company to create, issue, offer and allot from time to time such number of Equity Shares of face value of ₹10/- each, against part conversion of existing loan to Asset Reconstruction Company (India) Limited (hereinafter referred to as 'ARCIL'), under and by way of Preferential Issue, through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such price, 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 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 Equity Shares subject, however, to all applicable laws and regulations, provided that the aggregate amount so converted shall not exceed ₹ 50,00,00,000 (Rupees Fifty crores Only) and the price of the shares so issued shall be calculated in accordance with provisions of the Chapter VII of the SEBI (ICDR) Regulations, 2009.

RESOLVED FURTHER THAT the Equity Shares hereby authorised to be issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall be listed and traded on Stock Exchanges and rank pari passu in all respects with the existing equity shares of the Company

RESOLVED FURTHER THAT the 'Relevant Date' for the Preferential Issue, as per the ICDR Regulations, shall be 8th September, 2011 being the date 30 days prior to the date of the Annual General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of the above stated Equity Shares, the Board be and hereby authorized to take all such actions, give such directions and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, desirable to give effect to this resolution in all respects and to settle all questions, difficulties or doubts that may arise in regard to or in connection with any such offer, issue or allotment of shares, as it may in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any Director(s) or Officer (s) / employee(s) of the company to give effect to this resolution."

By order of the Board

Place: Mumbai
Dated: 29th August, 2011

Neelu Dhingra
Company Secretary

NOTES:

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the item No. 4 & 5 above, are annexed hereto.
2. 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.
3. 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.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from **29th September, 2011 to 8th October, 2011** (both days inclusive).
5. 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.
6. Members are requested to bring their copy of Annual Report for the purpose of attending the meeting.
7. Members are requested to kindly notify changes, if any, in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., (Unit : Lloyds Steel Industries Limited) at E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
8. Members are requested to quote their Folio No. and DP ID / Client ID, in case of shares are in physical / dematerialized form, as the case may be, in all their correspondence with the Company / Registrar and Share Transfer Agent.
9. The Ministry of Corporate Affairs ("Ministry") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances through electronic mode. Therefore we request you to provide your email id to our registrar m/s Bigshare Services Pvt. Ltd. Unit: Lloyds Steel Industries Ltd. on the address given in this notice to send various notices/ documents etc. or email us at investor@bigshareonline.com

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING 41st ANNUAL GENERAL MEETING (Pursuant to clause 49 of the Listing Agreement)

1. Name	Shri Mukesh R Gupta	Shri Rajesh R Gupta
2. Brief Resume		
Age	53 years	46 years
Qualification	B. Com.	B.Com.,
Experience	33 years	25 years
Date of appointment on the Board of the company	28.09.1977	30.09.1983
3. Nature of expertise in specific functional Areas	Vast and varied experience in Steel Industry. Expertise in the field of	Rich experience in production, management and other areas in

	project implementation, finance and other areas	Steel Industry
4. Name(s) of other Companies in which Directorship held	1. Lloyds Metals & Energy Ltd.	1. Lloyds Metals & Energy Ltd. 2. Vidarbha Power Ltd.
5. Name(s) of other companies in which he is Chairman / Member of the *Committee(s)	1. Lloyds Metals & Energy Ltd.- Member/ Chairman Shareholders'/ Investor Grievance Committee	1. Lloyds Metals & Energy Ltd.- Member Shareholders'/Investor Grievance Committee
6. No. of shares held of ₹ 10/- each	10434	90350
7. Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act, 1956)	He is related to Mr. Rajesh Gupta, Director of the Company	He is related to chairman of the company
* Committees means only Audit and Shareholder's/ Investor Grievance Committee as per Clause 49 of the Listing agreement.		

Place : Mumbai
Date : 29th August, 2011

By order of the Board,
Neelu Dhingra
Company Secretary

EXPLANATORY STATEMENT

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

Item No. 4

The members of the company at 39th Annual General Meeting held on 31st July, 2009 had re-appointed Shri Rajesh Gupta as Managing Director for five years with effect from 1st January, 2010. Central Government approved his appointment under Section 269 of the Companies Act, 1956 for a period of two years from January 1, 2010 to December 31, 2011. Therefore the present tenure of Shri Rajesh Gupta expires on 31st December, 2011, hence it is proposed to reappoint him for further period of five years on such terms and conditions including remuneration in accordance with the Section 269 and other applicable provisions including Schedule XIII of the Companies Act,1956 subject to approval of the members, Central Government and any other authorities as may be required.

Accordingly, the Board of Directors at their meeting held on 29th August, 2011 reappointed Shri Rajesh Gupta as Managing Director for further period of five years with effect from 1st January, 2012. The Remuneration Committee also at it's meeting held on 29th August, 2011 approved the remuneration payable to him on his reappointment.

The remuneration and terms of the appointment of Shri Rajesh Gupta mentioned in the Resolution No.4 annexed to this Notice shall be treated as abstract under Section 302 of the Companies Act,1956 of the terms and conditions of appointment of Shri Rajesh Gupta as Managing Director of the company.

The Board recommends your approval for Resolution No. 4 in respect of his re-appointment.

None of the Directors, except Shri Rajesh Gupta and Shri Mukesh Gupta, is in any way concerned or interested in the above resolution.

STATEMENT AS REQUIRED TO BE GIVEN TO THE SHAREHOLDERS IN TERMS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 (In respect of Item No. 4)

I. GENERAL INFORMATION

- Nature of Industry - Manufacturing of Steel and capital Equipment products
- Date of commencement of commercial Production - The company has commenced it's production activities since 1974.
- In case of new Companies, expected date of Commencement of activities as per project approved by financial institutions appearing in the prospectus. - N.A.

4. Financial performance based on given indicators :

₹ In Lakhs

Particulars	2008-09	2009-10	2010-11
Total Income	284798.69	305725.15	439945.19
Profit Before Tax	(16470.04)	(7751.68)	(13978.72)
Profit after tax	(16512.13)	(7751.68)	(13978.72)

5. Export performance and net foreign exchange collaborations:

₹ In Lakhs

Particulars	2008-09	2009-10	2010-11
FOB value of Export	18279.34	424.39	2150.57

6. Foreign Investments or collaborations, if any - NIL

II. INFORMATION ABOUT THE APPOINTEE

Shri Rajesh Gupta

1. Background Details

B.Com. having more than 20 years of experience in steel industry. The company under his leadership implemented several projects. He is promoter director and designated as managing Director with effect from 1995.

2. Past Remuneration

Salary- ₹ 1,00,000/- per month, HRA@ 60 % of basic salary and Other allowances – ₹ 40,000/- per month

3. Recognition or Awards

—

4. Job Profile and it's suitability

At present, Managing Director of the company.

He was appointed as a Director on 30.09.1983. He was appointed as Joint Managing Director w.e.f. 1-1-1990 and working as Managing Director since 1-1-1995 for more than last 15 years. He is looking after and responsible for day to day affairs and management of the company.

5. Remuneration proposed

Same as mentioned at Point 2 above.

6. Comparative remuneration profile with respect to industry, size of the Company, profile and position of person

The remuneration proposed is reasonable as compared to size of the company, profile and position of the person as well as with respect to the industry.

- 7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial person, if any.** He is a promoter director. He is related with Chairman of the company

III. OTHER INFORMATION

- Reasons of loss or in adequate profits
 - Increase in the cost of production
 - High cost of financial charges
 - Stagnancy in the Steel prices
 - Shortage of working capital
- Steps taken or proposed to be taken for improvement.
 - Restructuring of debts with the Financial Institutions and Banks
 - Repayments of the existing debts in a phased manner
 - Efforts to improve the working capital of the company
 - Measures to keep the cost of production at minimum level
 - Infusion of capital by preferential issue of shares to promoters for modernisation of existing plant and working capital requirement
- Expected increase in productivity and profits in measurable terms.

Expected increase can not be measured exactly at this stage.

ITEM NO. 5

As per the terms of the Restructuring of Company's debts on One Time Settlement (OTS) basis, the Company has been advised by the ARCIL for issue of Equity shares of face value of ₹10/- each on preferential basis against part conversion of their existing loan, of an aggregate amount not exceeding ₹ 50,00,00,000 (Rupees Fifty Crore Only) subject to compliance with SEBI and other applicable Guidelines / statutory provisions and obtaining approvals wherever necessary. As per the provisions of preferential issue of shares contained in Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as SEBI (ICDR) Regulations), "Regulation 70(2)" states that provisions of this chapter in respect of the pricing and lock in of shares are not applicable to allotment of equity shares to any Financial Institutions within the meaning of sub-clauses (ia) and (ii) of Clause (h) of Section 2 of the Recovery of Debts due to the Banks and Financial Institutions Act,1993 (51 of 1993). As the ARCIL falls under the above category of Financial Institution, the above mentioned two clauses are

not applicable to it. However as per the terms of Restructuring with ARCIL, shares are to be issued at a price determined in accordance with SEBI (ICDR) Regulations, 2009 and therefore the shares are proposed to be issued at a price calculated in accordance with provisions of the Chapter VII of the SEBI (ICDR) Regulations,2009 and without any lock in stipulation.

Pursuant to provisions of the Section 81 of the Companies Act, 1956 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 decides otherwise. The Special Resolution(s) seeks the consent of the Shareholders authorizing the Board of Directors, to issue / allot the Equity Shares on preferential basis.

The Disclosure for Preferential Issue as required under Regulation 73 (1) of chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 (the "SEBI Regulations") are as under:

- The object of the issue:** The object of the issue is to restructure company's debts by part conversion of existing loan of ARCIL into equity of the company.
- Intention of the Promoters/Directors/Key Management persons to subscribe to the offer:** The promoters / directors / key management personnel are not intending to subscribe to the offer as the preferential offer is proposed to ARCIL.
- Shareholding pattern before and after the offer:** The shareholding pattern of the Company, before and after the preferential allotment would be as follows:

Shareholding pattern Category	Before Preferential issue		*After Preferential Issue	
	No. of shares	% of Total Capital	*No. of shares	% of Total Capital
1) Promoters and Person Acting in concert	208169259	53.19	208169259	49.56
2) Mutual Funds & UTI	575821	0.15	575821	0.14
4) Banks/Financial Institutions/Insurance Companies	30968996	7.91	59655169	14.20
5) Central/ State Government. Institutions / Non-Government Inst.	1500	0.00	1500	0.00
6) FIIs/NRIs/OCBs	14457021	3.70	14457021	3.44
7) Bodies Corporate	39235723	10.03	39235723	9.34
8) Indian Public	95949384	24.52	95949384	22.85
9) Any Other (Clearing Members, trust, etc)	1980537	0.50	1980537	0.47
Total Paid up capital	**391338241	100	420024414	100

*Post Issue Shareholding Pattern has been arrived on the basis of SEBI pricing formula as on 26th August, 2011. The actual shareholding pattern will be obtained on 8th September, 2011 being the Relevant Date as per SEBI Guidelines.

** Excludes 22714451 forfeited equity shares of ₹10/- each pending re-issue.

There will be no change in the Board of Directors or control of the Company as a consequence of issue of Equity Shares. However, there will be change in the pattern of voting due to above issue.

- (4) **Proposed time within which the allotment shall be completed:** The issue and allotment of Equity Shares is to be completed within the statutory time limits prescribed by the regulatory authorities from the date of this meeting subject to all the necessary approvals being in place.
- (5) **Identity of the proposed allottee:** The equity shares are proposed to be issued to ARCIL. The percentage of post preferential issue capital that may be held by ARCIL after the proposed allotment of the resultant equity shares are as under.

Name of the Allottee	Category	Before Preferential issue		After Preferential Issue	
		No. of shares	% of Total Capital	No. of shares	% of Total Capital
ARCIL	Bank / Financial Ins.	2,00,00,000	5.11	48686173	11.59

* Post Issue Shareholding Pattern has been arrived on the basis of SEBI pricing formula as on 26th August, 2011. The actual shareholding pattern will be obtained on 8th September, 2011 being the Relevant Date as per SEBI Guidelines

- (6) **Relevant date:** The 'relevant date' for determining the issue price of the equity shares is 8th September, 2011 being the date 30 days prior to the date of Annual General Meeting in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009
- (7) **Pricing of the Issue:** Not applicable but as per the terms of the settlement with ARCIL, the issue price will be determined as per the Chapter VII of the SEBI (ICDR) Regulations, 2009.
- (8) **Auditor Certificate:** A copy of the Auditor's Certificate certifying the compliance with SEBI's (ICDR) Regulations, 2009 will be laid before the meeting.
- (9) **Lock-in:** Not applicable.

The Board of Directors recommends the resolution(s) set out at Item No. 5 of the accompanying Notice for approval of the Members. None of the Directors are concerned or interested in the said resolution except Mr. Satish Kumar Gupta- Nominee Director ARCIL.

IV. DISCLOSURE

The disclosure on remuneration package payable to the managerial person is given under the head " Corporate Governance " in this report.

Place : Mumbai

Date : 29th August, 2011

By order of the Board,

Neelu Dhingra

Company Secretary

DIRECTORS' REPORT

The Directors present their 41st Annual Report on the business and operations of your Company and Audited Statement of Accounts for the period ended 30th June, 2011.

FINANCIAL HIGHLIGHTS

(₹ in Lacs)

	Current Period 2010-2011 (15 Months)	Previous Year 2009-2010 (12 Months)
Sales :	436536.29	305278.06
Other Income	3408.90	447.09
Total Income :	439945.19	305726.15
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	9806.62	10621.41
Less : Finance Charges	8529.16	4897.03
Depreciation	15493.07	11668.20
Profit / (Loss) before exceptional items & taxes	(14215.61)	(5943.82)
Add: Exceptional items (Net)	236.89	(1807.86)
Profit/(Loss) before tax	(13978.72)	(7751.68)
Tax Provision	-	-
Profit/(Loss) after Tax	(13978.72)	(7751.68)
Add: Prior Period Income/Expenses	11.59	(56.41)
Net Profit/ (Loss)	(13967.13)	(7808.09)
Profit / (Loss) b/f from previous year	(150603.66)	(142795.57)
Transferred from Debenture	1902.00	-
Redemption Reserve	-	-
Balance Carried Forward	(162668.79)	(150603.66)

EXTENSION OF FINANCIAL YEAR

The Company has extended its current Financial Year (2010-2011) by a period of three months i.e. upto 30th June, 2011 through resolution passed by circulation on 30th March, 2011. Accordingly the financial accounts are prepared for a period of 15 months i.e. from 1st April, 2010 to 30th June, 2011.

DIVIDEND

In view of the losses, the Directors have not recommended any Dividend for the period ended 30th June, 2011.

STEEL INDUSTRY SCENARIO

The Indian Steel Industry, after passing through a phase of economic slowdown in 2009 has shown a steady growth in 2010. The consumption of steel in the country has shown an increase of around 10.3 per cent during April 2010 to January 2011 as compared to the same period of previous year, indicating strengthening of demand. During the last few years, the demand growth has been more than supply growth. The lag in supply growth was mainly due to delays in statutory clearances, land acquisition issues, lack of new raw material linkages, etc. However the Indian economy is facing the risk of very high inflationary conditions leading the Government to tighten monetary policies which may in turn affect growth significantly. The high raw material cost coupled with increasing operational cost has put pressure on operating margins of the Steel Companies in the later half and trend is expected to continue during the current year as well.

OPERATIONS & OVERALL PERFORMANCE

The Company achieved a Turnover of ₹ 4365.36 crores in 15 months period as against ₹ 3052.78 crores in the previous year (12 months). The Company incurred a Loss of ₹ 139.79

crores during the period (15 months) as against previous year (12 months) loss of ₹ 77.52 crores after providing depreciation of ₹ 154.93 crores (Previous year ₹ 116.68 crores).

The company during the period has completed modernization and modification of its steel plant at Wardha and installed some new equipment/s, modified existing equipments and up-graded other auxiliary facilities to increase the existing capacity of the plant. The company has now started receiving regular Hot Metal supplies and accordingly has changed its charge mix by replacing scrap by Hot Metal thereby reducing the production time and saving a considerable amount on power consumed. The company has made necessary changes in its plant to synchronise with production cycle of Hot metal. The above changes alongwith removal of certain bottlenecks has now increased its production capacity to 1 million tonnes of HR per annum. This will help to improve the viability of its operations in the long run.

Debt Restructuring

The Company has completed restructuring of debt with majority of its lenders. Restructuring proposals of debts with some Financial Institutions and Banks are under various stages of discussion. In spite of Company facing a very difficult situation, the Company has paid off ₹ 57.76 crores during the period towards past Debt liabilities in accordance with the restructuring terms.

Steel Products

Sale of steel products during the period under review (15 months) has been ₹ 2841.96 crores as against the previous year (12 months) figure of ₹ 1793.21 crores. Export during the period of 15 months has increased to ₹ 13.32 crores as against ₹ 2.13 Crores recorded during the previous year of 12 months.

Engineering Products

During the period under review the sales of engineering products were ₹ 400.77 crores for the 15 months period as compared to the previous year (12 months) of ₹ 438.26 crores. The Company during the year has supplied critical items to G.R.S.E., DPRO and other equipments for many clients. The division has completed its project of supply and commissioning of Marine Loading Arms to Essar Construction Ltd.. The Division continues to support in supply of Spares and Services to all the major Oil, Gas, Port Trust and various Government Bodies. The Company has been successful in obtaining further orders from reputed companies for their projects.

PREFERENTIAL ISSUE

During the period under review, the Company has converted 16,85,00,000 Warrants of ₹ 10/- each issued on preferential basis to promoters into Equity Shares of ₹ 10/- each upon exercise of conversion option by them. The Warrants were convertible at the option of the holder at any time within a period of 18 months from the date of allotment. The Company has received listing approval from both BSE and NSE in respect of the aforesaid shares.

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:-

- a) **Industry structure and development :** India's domestic steel demand remained robust with apparent demand last year, led by good demand for autos and engineering services. The Indian Steel Industry is expected to do well on the back of increase in demand and capacity addition by domestic steel companies. The engineering industry in India manufactures a wide range of products, with heavy engineering goods accounting for bulk of the production. The development of Engineering Industry depends upon the development of core sectors and the infrastructure sector. The Engineering Industry demands high level of investment.
- b) **Opportunities and threats:** The Indian steel industry has a very good growth potential, with future demand boosting India's per capita consumption of steel to higher levels. The Indian steel markets are emerging high due to robust demand for construction and civil engineering, automotive and mechanical engineering. This growth however will be more dependent on supply-side response, innovative product offerings and substitutions, massive increase in oil prices etc.
- c) **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. 23 of Schedule P i.e. Notes on Accounts.
- d) **Outlook:** The outlook for the domestic steel industry looks positive. The country has acquired a central position on the global steel map with its giant steel mills, acquisition of global scale capacities by players, continuous modernization & up gradation of old plants, improving energy efficiency, and backward integration into global raw material sources. Steel consumption in India is expected to grow significantly in coming years as per capita finished steel consumption is far less than its regional counterparts. However inflation can affect the higher growth rate of the economy. Government measures like fiscal policies to control inflation will affect access to credit and could slow down investment as well as demand. The Company continues to compete and participate in the tenders of various Public and Private Sector giants and is hopeful of bagging fresh orders for engineering products. The Engineering products of the company has been approved for its engineering skills/works/services by various premier consulting companies such as MECON, LRIS and also approved by Industrial Boiler Regulatory Authority (IBR).
- e) **Risk and concerns:** The domestic steel industry always runs on risk of normal industry cycle. Your Company is exposed to the normal Industry Risk Factors and manages these risks by following prudent business and risk management practices. The company has been taking continuous modernization programmes to maintain efficient

operation of its Steel and Engineering activities.

- f) **Internal control system:** The Company maintains periodical internal checks and conduct adequate internal audit, which provide safeguards and proper monitoring and vetting of transactions. ISO-9001:2008 certification has been obtained for execution of works at Murbad. Necessary quality control systems and procedures have been established. Periodical internal checks and audits are conducted by the Management and Internal Auditors. Upgradation wherever necessary are carried out at frequent intervals.
- 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' & 'Operations and Overall Performance' in the current period.
- h) **Human resources and industrial relations:** During the period under review the Employee/Industrial relations at all units and job sites remained cordial. Training programmes are conducted internally for staff and workmen. Training is imparted for updating of manufacturing techniques/processes. Personnel are sponsored for external programmes on need based. Number of employees as on 30th June, 2011 was **1350**.
- 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. The Company submitted a revised Draft Rehabilitation Scheme (DRS) to the ICICI Bank Ltd., OA and the copy of the same was forwarded to the BIFR .

The BIFR in its hearing held on 23.09.2010 directed ICICI Bank Ltd, OA to examine the DRS and convene a joint meeting of all concerned and to submit its report on DRS. As per the direction of Hon'ble BIFR, ICICI Bank Ltd, OA