



**42nd Annual Report
2011- 2012**

**LLOYDS STEEL
INDUSTRIES LIMITED**

BOARD OF DIRECTORS

Mukesh R. Gupta	<i>Chairman</i>
Rajesh R. Gupta	<i>Managing Director</i>
B.L. Agarwal	<i>Director</i>
K.A. Krishna Rao	<i>Director</i>
R. K. Bansal	<i>IDBI Nominee</i>
B. L. Khanna	<i>Special Director BIFR</i>
S. K. Gupta	<i>ARCIL Nominee</i>

MANAGEMENT TEAM

Sunil Katial	<i>Executive Director - Works</i>
Ajay Jain	<i>Executive Director-Finance</i>
Ashok Tandon	<i>President</i>
Rajendra Sharda	<i>President - Corporate Accounts</i>
H. Padmanabhan	<i>President - Finance</i>
O. Ghosh Dastidar	<i>President</i>
P. R. Raviganeshan	<i>Chief Financial Officer - Eng Div</i>
R. K. Sharma	<i>Senior Vice President - HR & ADMN</i>
C. K. Rao	<i>Senior Vice President - Steel</i>
R. P. Gupta	<i>Vice President - Commercial</i>
Manish Bawa	<i>Vice President - Marketing</i>

BANKERS

State Bank of India
Punjab and Sind Bank
Abu Dhabi Commercial Bank Limited

AUDITORS

TODARWAL & TODARWAL

12, Maker Bhavan No. 3, 1st Floor,
21, New Marine Lines,
Mumbai-400 020

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 – 40430 200
Fax No. - 022 - 2847 5207
E-mail - investor@bigshareonline.com

REGISTERED OFFICE

Trade World,
'C' Wing, 16th Floor, 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 42nd 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 Wednesday, 23rd May, 2012 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 31st March, 2012 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint Shri B L Agarwal, Director who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.

By order of the Board

Place : Mumbai
Dated : 21st April, 2012

Neelu Dhingra
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.
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 **16th May, 2012 to 23rd May, 2012** (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 e-mail us at investor@bigshareonline.com.

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING 42nd ANNUAL GENERAL MEETING (Pursuant to clause 49 of the Listing Agreement)

1.	Name	Shri B L Agarwal
2.	Brief Resume	
	Age	65 years
	Qualification	B. Com., LL.B.
	Experience	43 years
	Date of appointment on the Board of the company	01.08.1970
3.	Nature of expertise in specific functional Areas	Vast and varied experience in Steel Industry. Expertise in the field of project implementation, finance and other areas
4.	Name(s) of other Companies in which Directorship held	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 Shareholders'/Investor Grievance Committee
6.	No. of shares held of Rs.10/- each	-
7.	Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act,1956)	-

* Committees means only Audit and Shareholder's/ Investor Grievance Committee as per Clause 49 of the Listing agreement.

By order of the Board,

Place : Mumbai
Date : 21st April, 2012

Neelu Dhingra
Company Secretary

DIRECTORS' REPORT

The Directors present their 42nd Annual Report on the business and operations of your Company and Audited Statement of Accounts for the period ended 31st March, 2012.

FINANCIAL HIGHLIGHTS

(₹ in Lacs)

	Current Period 2011-2012 (9 months)	Previous Period 2010-2011 (15 months)
Sales :	405303.18	436536.29
Other Income	4346.93	4636.61
Total Income :	409650.11	441172.90
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	15476.72	11045.83
Less : Finance Charges	10849.94	9756.79
Depreciation	10649.84	15493.07
Profit / (Loss) before exceptional items & taxes	(6023.06)	(14204.03)
Less :Exceptional items (Net)	1322.40	(236.89)
Profit/(Loss) before tax	(7345.46)	(13967.13)
Tax Provision	-	-
Profit/(Loss) after Tax	(7345.46)	(13967.13)
Net Profit/ (Loss)	(7345.46)	(13967.13)

*Previous period figures have been regrouped as per Revised Schedule VI of the Companies Act, 1956 introduced by Ministry of Corporate Affairs vide notification dated February 28, 2011

FINANCIAL YEAR

Owing to extension of last Financial Year (2010-2011) by three months and consequently the previous financial year containing 15 months, which ended on 30th June, 2011. In order to realign financial year ending in March 2012, your company is closing the current financial year of 9 months and therefore financial accounts are prepared for a period of 9 months i.e. from 1st July, 2011 to 31st March, 2012.

DIVIDEND

The Directors have not recommended any Dividend for the period ended 31st March, 2012.

STEEL INDUSTRY SCENARIO

The Indian Steel Industry has entered into a new development stage riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron or DRI in the world. India's real consumption of steel recorded a growth of 4.4% during April-December 2011 over same period of last year. However, despite some positive influence, overall steel consumption growth in the country was subdued because of steep decline in growth in end use sectors and slow growth in EDP. Sourcing of Raw material has turned into a major bottleneck for the Steel Industry apart from rising input costs with sustained rise in inflation and consequent high interest cost. With Government passing the land

acquisition bill and mining bill, the country's steel industry is likely to regain stability.

OPERATIONS & OVERALL PERFORMANCE

The Company achieved a Turnover of ₹ **4053.03 crores** in 9 months period as against ₹ **4365.36 crores** in the previous financial year (15 months). The Company achieved an operating Profit (PBDIT) of ₹154.77 crores in the current period as against ₹110.46 crores in the previous period. The Company incurred a loss of ₹ **73.45 crores** during the period (9 months) as against a loss of ₹ 139.67 crores in the previous financial year (15 months) after providing depreciation of ₹ **106.50 crores** (Previous period ₹154.93 crores).

DEBT RESTRUCTURING

All the debts of the Company are crystallised and settled. Over the years, the company has paid a large amount towards past debt liabilities and remaining Debts are being paid in accordance with the restructured terms. The Company has paid off ₹ **94.72 crores** during the period under review towards past Debt liabilities.

STEEL PRODUCTS

Sale of steel products during the period under review (9 months) has been ₹ **2239.69 crores** as against the previous period (15 months) figure of ₹ 2841.96 Crores. Export during the period of 9 months is ₹ **10.77 crores** as against ₹ 13.32 Crores recorded during the previous period of 15 months.

ENGINEERING PRODUCTS

The Division during the period under review achieved sales of ₹ **286.24 crores** for the 9 months period as compared to the previous year sales of ₹ 400.77 crores for 15 months. The Company during the year has supplied critical items and items including tanks and furnace to SMS India Ltd., and other equipments for many clients. 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, in terms of restructuring of the debts with financial institution, the company has allotted 2,89,18,450 Equity shares of ₹ 10/- each to ARCIL and 4,92,61,802 Equity shares of ₹ 10/- each to SBI on preferential basis against part conversion of their existing loan after obtaining approval of the members. The Company has also allotted 19,50,00,000 Equity shares of ₹ 10/- each on preferential basis to Promoters and investors after obtaining approval of the members.

The Company has received listing approval from one of the stock exchange in respect of the aforesaid shares. However, listing approval from the other stock exchange is pending at the end of the year.

The proceeds from the issue is fully utilized towards restructuring of debts and the working capital as per stated object in the resolution approving the said issue.

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 :** In 2011 the world crude steel production reached 1527 million tonnes (mt) and showed a growth of 6.8% over 2010. China

remained the largest crude steel producer in the world. Steel production in Asia was around 988 million tones registering a growth of 7.9 % over last year.

Indian Steel Industry has grown from a production of 2 million tones crude steel in 1951 to nearly 67 million tones in 2010. The world steel Association, a premiere global steel producer's association in its annual meet held in Paris during October 2011 has projected a growth of 7.9% for the Indian steel industry in 2012. The Indian steel industry plays an important role in the country's economic growth. Consumption of Steel is taken to be an indicator of economic development. Growth of the Indian Steel Industry looks positive but the performance was slow during April-December 2011. This was because of efforts of government to check the sustained rise in inflation. The frequent increase in lending rates, made with the object to contain inflation, have resulted in a high cost of capital. Indian steel industry faces the critical dilemma of increasing cost of funds, which tends to impact margins as well as capital expenditure plans.

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 Segment is highly competitive in view of tough competition from foreign companies/agencies and giant public/private sector undertakings.

- b) **Opportunities and Threats:** The Indian Steel Industry is poised for greater growth which will catapult India to the league of the highest Steel consuming nations of the world. The New Industrial policy has opened up the Indian Iron and Steel Industry for private investment by exempting it from compulsory licensing. While most of the existing units are being modernized, a large number of new steel plants have also come up in different parts in the last few years.

Opportunities:

- Growing domestic Demand, Unexplored rural market and Rapid Urbanisation.
- Increasing consumption of steel in all sector and also in Eleventh Five year plan (2007-12) has allocated investment of USD 490 Billion for core Infra sector such as power, road, railways, ports & airports.
- Strong growth in steel heavy industry eg: the automotive industry & within the infrastructure, oil & gas.
- Rising cost of coal & crude oil resulted in use of gas. companies are investing in pipeline network for gas and Setting up refineries in pipeline network.
- Fourth largest Iron ore reserves after Russia, Brazil & Australia and also Third largest Pool of technical manpower next to USA & USSR.
- Increase investment by state government in water & sewage pipes.
- Pre-Engineered building (PEB) in industrial, construction, gained popularity.
- With the improvement in the economic recessions in the west, the potential for growing demand is high.
- Indian Steel producer looking for overseas acquisitions in steel as well as raw material and also Increasing interest of foreign steel producers in India.

Threats:

- China becoming net exporter
- Protection is in the west
- Dumping by competitors
- Global economic slow down
- Market Fluctuation
- Higher Duties & taxes on production
- Technological change/obsolesces
- Low import duty on steel
- Substitute : Steel being replaced by Alum in Auto Industry
- Increase in power tariff

- 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.21 of Notes to 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, continuous modernization & up gradation of old plants, improving energy efficiency, and backward integration into global raw material sources. However the challenges before the Indian steel industry and the emerging economies are also serious and need immediate attention. Rising prices of key raw materials like iron ore and coking coal, inflationary pressure, seasonal fall in demand for automobile and white goods, stock market crash etc have also posed certain threats. In spite of this the future of steel industry indeed lies in India which is blessed with abundant mineral resources including iron ore and non-coking coal. With acquisition of coking coal mines by Indian companies in countries like South Africa and Australia, India is claiming her rightful place as the second largest steel producer in the league of nations.

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 such as :

- Unremunerative Prices
- Endemic deficiencies (poor quality of coal)
- High cost of capital
- Low labour productivity
- High cost of Basic Input & Services
- Poor quality of Basic infrastructure like road, port, etc
- Lack of expenditure in R & D
- Delay in absorption in technology by existing units.
- Low quality of steel & steel Products
- Lack of facilities to produce various shapes & quality of finished steel on demand
- Limited access to good quality of iron ore normally earmarked for exports.
- High level of taxation
- Energy supply
- Inefficient transport system

Your Company is exposed to the normal Industry Risk Factors and manages these risks by prudent business and risk management practices. The company has been taking continuous modernization programmes to maintain efficient operation of its steel and engineering activities. The company has made efforts to mitigate risk by enhancing the steel quality, use of hot metal in Electric Arc Furnaces, reduce energy consumption and emissions and improving productivity.

- f) **Internal Control System and their Adequacy:** The Company maintains the system of internal controls designed to provide high degree of assurance regarding the effectiveness and efficiency of operations, reliability of financial controls and compliance with laws and regulations. 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. There are clear demarcation of roles and responsibilities at various levels of operations.
- 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 31st March, 2012 was **1366**.
- i) **Statutory Compliance:** The Company has complied with the various provisions of the Companies Act, 1956, the SEBI Regulations and provisions of the Listing Agreements. Compliance Certificates are obtained from various units of the Company and the Board is informed of the same at every Board Meeting
- j) **Corporate Social Responsibility:** The company believes that Corporate Social Responsibility (CSR) is 'the continuing commitment for improving the quality of life of the society at large.' The company strives to contribute to the environment to its fullest to avoid irreversible changes in the ecosystem. We contribute to this global effort with activities such as planting of tree saplings and promoting environmental protection awareness amongst our plant employees. Company controls the pollutions by Recycling and Reusing the scrap. With safety, health and environment protection high on its corporate agenda company is committed to conducting business with a strong environment conscience, so as to ensure sustainable development, safe work places and enrichment of the quality of life.
- k) **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 AND DEREGISTRATION

The Company 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 submitted a revised Draft Rehabilitation Scheme (DRS) on January 9, 2012 to the ICICI Bank Ltd., OA and the copy of the same was forwarded to the BIFR.

At the lenders meeting held on 17th February, 2012, the company informed the OA and others about the recent developments in the Company and also the factual position of the financials such as infusion of equity fund etc. In view of that it was directed to submit the DRS after including the audited financials of FY 2011-12 and to submit the audited financials latest by May 31, 2012.

Consequent upon improvement in overall operating performance on back of improving prices and demand in the products of the company, restructuring of the debts and infusion of funds by promoters and investors to the extent of ₹ 227 crores, the Net Worth of the company has turned positive during the period ended 31st March, 2012 as under :

Particulars	(₹ In Crores)	
	As on 31.03.2012	As on 30.06.2011
Share Capital	902.12	628.94
Reserves and Surplus	(820.32)	(928.02)
Net Worth	<u>81.80</u>	<u>(299.09)</u>

Looking at the above improvement, it is pertinent to say that the company is moving steadily towards reviving and has become self-sufficient enough to sustain / survive on its own in the long run.

Consequent upon restructuring of its debts during the last year and Net Worth turning positive during the period under review, the company would be approaching Hon'ble BIFR for de-registration of the company from purview of the Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985.

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, endeavored their best to service the Investors satisfactorily. Your Company has constituted a committee comprising of 3 Senior directors of the Company to redress the Investor Grievances.

DIRECTORS

During the year, Shri B L Agarwal, Director of your Company, retire by rotation and being eligible, offer himself for reappointment.

IDBI has appointed Mr. R K Bansal as its Nominee Director on the Board of the Company with effect from 28th February, 2012 in place of Mr. B Ravindranath. The Board record its sincere appreciation for the valuable guidance and meaningful contribution made by Mr. B Ravindranath as member of the Board, Audit and Remuneration Committee during the period of his association with the Company.

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 period ended 31st March, 2012, 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 AND 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. 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 health and quality of life in the communities surrounding its industrial complex.

PUBLIC DEPOSITS

The company has not accepted any deposit from the public and hence has not contravened provisions of the Section 58A of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules, 1975 and the Reserve Bank of India, if any.

AUDITORS & AUDITORS' REPORT

The Auditors' of the company, M/s Tadarwal & Tadarwal, shall hold the office upto the conclusion of the ensuing Annual General Meeting of the company and being eligible offers themselves for re-appointment. Pursuant to the provisions of Section 224(1B) of the companies Act, 1956, the auditors have furnished certificate of their eligibility for the re-appointment. The members are requested to appoint Auditors for the next financial year and fix their remuneration.

As regards Auditors' observations in Clause No. 9 (b), 10 & 11 in the Annexure Audit Report (CARO Report), they are self explanatory and do not require further explanation.

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.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, names and other particulars of the employees are required to be set out in the annexure to this report. However, as per the provisions of Section 219(l)(b)(iv) of the Companies Act, 1956, the report and Annual Accounts of the Company sent to the shareholders do not contain the said annexure. Any shareholders desirous of obtaining the annexure may write to the company secretary at the registered office of the company.

INSURANCE

The Company has taken adequate insurance cover for all its assets.

COST AUDITOR

In pursuance of Section 233B of the Companies Act, 1956 read with circular no. 52/26/CAB – 2010 the company has appointed Manisha & Associates, Nagpur as the Cost Auditors to conduct the Cost Audit for the financial year 2011-2012. The approval of the Central Government for the appointment has been received. The company has reappointed them as Cost Auditors for the financial year 2012-2013.

ACKNOWLEDGEMENT:

Your Directors place on record their sincere appreciation and gratitude for the assistance and generous support extended by all Government authorities, Financial Institutions, Banks, Customers, Vendors and Members during the period under review. Your Directors wish to express their immense appreciation for the devotion, commitment and contribution shown by the employees of the company while discharging their duties.

For and on behalf of the Board

Dated : 21st April, 2012
Place : Mumbai

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 as its activities does not fall under the list of industries specified in the Schedule attached to Rule 2.

Steel Products

- 1) In Hot Rolling mill, Mill Automation was Changed in Roughing Mill (RM) by Adopting Level 1 technology. This ensures close gauge control, accurate slab & semi movement & quicker discharge of semi for Finishing Mill.
- 2) Indigenously Designed & Fabricated RM Guide System was successfully commissioned.
- 3) In EBT, use of Hot Metal was hampered by stratification of Temperature Zones in bath. Bottom purging technology was adopted to overcome this technical barrier. Incidents of Door flame shooting were reduced by 90% as a benefit of this project.
- 4) Dependence on Petroleum Products was reduced by switching over to coke oven gas.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Research & Development (R & D)

- 1) Development work was undertaken to achieve the properties of 450H in section of 2.5mm.
- 2) Mechanical properties at cryogenic temperatures of ASTM572 GR.50 at (-)40 Degree Celsius for larger section of 50MM, were a challenging target. This was successfully achieved by designing the HRM parameters.

Expenditure on R & D

Expenses on R & D ₹ 21.84 Lacs.

- 1) Metallurgical Microscope with Image Analyzing Software was inducted in QC Lab. This is being used extensively in research of micro alloying grades.
- 2) Impact properties at cryogenic temperature were needed, additional facilities & chamber which have been provided.
- 3) Boron Steels for 350mpa strength were developed successfully.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

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

(₹ in Lacs)		
	2011-2012	2010-2011
(a) Earnings		
a. Brokerage and Commission	63.00	21.77
b. Exports including Deemed and Third Party	1645.01	2150.57
(b) Outgo		
Traveling /Books Periodicals	3.09	108.34
Imported Raw Materials, Stores & Spares, etc.	12801.14	20257.60
Brokerage & Commission	5.09	5.99
Repairs & Maintenance	44.07	108.92
Engineering & Design	45.90	107.03
Others	17.32	42.63

FORM – A

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

A. Power & Fuel Consumption		UNIT	2011-2012	2010-2011
1	Electricity			
a)	Purchased			
	Units	Kwh	284637730	567839743.20
	Total Amount	₹	1,48,68,43,062	2,01,82,04,018
	Rate/Unit	₹ /kwh	5.22	3.55
b)	Own Generation			
i)	Through Diesel Generator			
	Units	Kwh	3288	416
	Units per ltr. of Diesel Oil	Kwh/ltr	0.99	1.26
	Cost/Unit	₹ /kwh	43.11	31.61
ii)	Through Steam Turbine / Generator		NIL	NIL
2	Fuel Oil			
a)	Furnace Oil			
	Quantity	Kl	19	25961
	Total Amount	₹	6,29,076	66,10,60,317
	Average Rate	₹ /Kl	33799	25464
b)	LDO			
	Quantity	Kl	1819	2203
	Total Amount	₹	6,65,09,193	7,03,58,235
	Average Rate	₹ /Kl	36559	31938
3	Others/Internal Generation		NIL	NIL
B.	Consumption per unit of production	UNIT		
1	HR PRODUCTS			
-	Electricity	kwh/mt	488	671
-	Furnace Oil	ltr/mt	0.48	37
-	LDO	ltr/mt	3	1.03
2	GP/GC PRODUCTS			
-	Electricity	kwh/mt	740	914
-	Furnace Oil	ltr/mt	0.53	39
-	LDO	ltr/mt	7.4	7.8
3	CR PRODUCTS			
-	Electricity	kwh/mt	684	850
-	Furnace Oil	ltr/mt	0.54	39
-	LDO	ltr/mt	8	8

For and on behalf of the Board

Dated : 21st April, 2012

Place : Mumbai

Mukesh R. Gupta

Chairman

CORPORATE GOVERNANCE

Auditors' Certificate regarding compliance of conditions of Corporate Governance
To the Members of **Lloyds Steel Industries Limited**

We have examined the compliance of the conditions of Corporate Governance by Lloyds Steel Industries Limited, for the period ended 31st March, 2012 (9 months), as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
TODARWAL & TODARWAL

Chartered Accountants

ICAI Reg. No.: 111009W

Sunil Todarwal

Partner

M.No. 32512

Dated : 21st April, 2012

Place : Mumbai