NOTICE

Notice is hereby given that the 21st [Twenty First] Annual General Meeting of the Company will be held on 11.00 hours on Wednesday, 25th day of September, 2013 at the Registered Office of the Company situated at 808/C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015, to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March, 31, 2013 and the Profit and Loss Account for the Year ended on that date together with the Report of Board of Directors and Auditors thereon;

2. To appoint Director in place of Mr. Ajit Kumar Jain, who retires by rotation and, being eligible, offers himself for re-appointment.

3. To appoint Director in place of Mr. Bakul Mehta, who retires by rotation and, being eligible, offers himself for re-appointment.

4. To appoint M/s K Solanki & Co., Chartered Accountants, Ahmedabad, (Firm Registration Number 114694W) as Statutory Auditors of the Company to hold office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting, on such remuneration plus out of pocket expenses, if any, as may be mutually agreed upon between the Board of Directors of the Company and said Statutory Auditors;

By Order of Board of Directors
For: VMS INDUSTRIES LIMITED

Place : Ahmedabad
Date : 14th August, 2013

Hemal Patel
Company Secretary

Notes:

i) A member entitled to attend to vote at the meeting is entitled to appoint a proxy, to attend and vote on poll on his behalf and such a proxy need not be member of the Company, Proxies in order to be effective must be deposited at the Registered Office or with the Registrar and Share Transfer Agents of the Company, M/s Cameo Corporate Services Limited, not less than 48 hours before the meeting.

ii) The Registrar of Members of the Company and the Share Transfer Registrar shall remain closed from Wednesday, 18th September, 2013 to Wednesday, 25th September 2013 (both days inclusive)

iii) The members are requested to

  a) Notify immediately any change in their address to the Company

  b) Bring their copy of the Annual Report to the Annual General Meeting.

iv) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant with whom they are maintaining their Demat accounts.

v) Brief profile of the Directors who are retiring by rotation and are eligible for re appointment as Directors at the ensuing Annual General Meeting are furnished with Notice of Annual General Meeting, which forms part of Annual Report.

By Order of Board of Directors
For: VMS INDUSTRIES LIMITED

Place : Ahmedabad
Date : 14th August, 2013

Hemal Patel
Company Secretary

Details of Directors seeking reappointment in Annual General Meeting (in pursuant of Clause 49 of Listing Agreement)

Name of Director	Mr. Ajit Kumar Jain	Mr. Bakul Mehta
Date of Birth	19/12/1936	16/06/1953
Nationality	Indian	Indian
Date of Appointment on the Board	05.09.2005	28.04.2010
Qualification	B.A	B.A
Experience of functional area	Business	Business
Shareholding in the Company	50000	-
List of Directorship held in other Companies	NIL	NIL
Committee Membership	1	2

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present herewith their 21st (Twentieth First) Annual Report of your Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

The financial performance of the Company for the Year ended 31st March, 2013 is summarized as below:-

(₹ In Lacs)

Particulars	Year Ended on 31.03.2013	Year Ended on 31.03.2012
Income / Receipts from Operations	12710.91	11638.55
Other Income	430.68	363.79
Total Income	**13141.59**	**12002.34**
Earning Before Financial Charges, Depreciation, and Taxation (EBITDA)	368.95	489.65
Financial Charges	81.58	247.47
Depreciation	95.40	79.89
Profit Before Tax (PBT)	**191.97**	**162.29**
Less: Provision for Taxation including Deferred	34.23	59.69
Profit After Tax (PAT)	**157.74**	**102.59**
Profit Brought Forward from Previous Year	570.14	467.55
Profit Available for Appropriation	**727.88**	**570.14**
Balance Carried to Balance Sheet	**727.88**	**570.14**

OPERATIONS REVIEW

During the year under review, Your Company has maintained its excellent pace of growth reflected by the significant rise in Turnover, PBT and PAT. The driving areas of the Company were Ship Recycling Unit which has achieved substantial increase in term of Turnover.

LIQUIDITY

We maintain sufficient cash to meet our strategic objectives. We understand that liquidity is necessary to cover Business and Financial risks. Excess funds are invested in deposits with Bank having special rates of interest or by providing short Terms Loan and Advances to parties which is receivable on demand so that funds are readily available at any time period to meet requirement of our business.

EQUITY SHARE CAPITAL

During the year, the Company had not Issue Equity shares.

DIVIDEND

Looking to future requirements of funds for business operations of the Company, the directors have not recommended any dividend for the Financial Year 2012-13

FUTURE PROSPECTUS

The business activity of Ship-breaking industry at Alang Ship Breaking Yard is likely to increase substantially in view of favorable availability of second hand ships and demand of ship-recycled material. However after October 2011 to till today there is drastic depreciation in Indian Rupee against Dollar, which will cause buying of ship costly and ultimately affect on Profit of our business.

Our Company is also optimistic that with the stabilization in price for the old ship in the international markets and in the sale price of recycled products in the domestic market, the Company will be able to improve the turnover and the profitability ratios in the coming years.

In view of modernization and expansion of various ports in Gujarat, the Company is optimistic of substantial rise in off-shore services activity. The Company is exploring possibility to increase off-shore activities in the near future.

DIRECTORS

Mr. Ajitkumar Jain and Mr. Bakul Mehta are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. None of the Directors of the company are disqualified under section 274(1) (g) of the Companies Act, 1956 from being appointed as a Director of any public company. The Board recommends their reappointment for your approval.

Brief resumes of the above Directors, nature of their expertise in specific functional areas and names of the Public Limited Companies in which they hold Directorships and Memberships / Chairmanships of Committees of the Board and their shareholding in the Company, as stipulated under Clause 49 of the Listing Agreement are given in the Report on Corporate Governance forming part of the Annual Report

REGISTERED OFFICE

Your Directors would like to inform you that With Consent of Shareholder via Postal Ballot process Company Registered office was Shifted to 808/ C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015 (Gujarat) from 2nd Floor 'Jain House', Opp. Vitthalwadi, Bhavnagar-364003. The Whole Postal Ballots was scrutinized by Practicing Company Secretary Mr. M/s. Khandelwal Devesh & Associates, who gave his Report to Chairman of Board on 8th September, 2012.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) In the preparations of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same;

b) Appropriate accounting policies have been selected and applied consistently and such judgments & estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the Profit of the Company for the accounting year ended on that date;

c) Proper and sufficient care has been taken 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; and

d) The Annual Accounts of the Company have been prepared on a going concern basis.

RISK MANAGEMENT

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship, which is purchased from the international market on credit ranging up to 180 days to 360 days. Though the Company is not hedging or covering the foreign exchange requirement, the Company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the Company is employing such measures, the Company is still exposed to the risk of any foreign exchange fluctuation.

Likewise, the Company's finished products are mainly re-rollable scrap generated from ship breaking and the price of the same is linked to the market rate for iron and steel. Any ups and downs in the price of the iron and steel will affect the profitability of the Company. The Company keeps a watch on the movement of scrap prices and accordingly decides its policy regarding purchase of ships and sale of scrap.

DISCLOSURES UNDER SECTION 217(1) (d) OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in this report, there are no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year and the date of this report:

1. SALE OF TUG ADINATH-8

The Company has sold the Tug known as 'Adinath-8' as per instrument of sale dt.28th September, 2012 which was operating in Off-shore segment. The Sale of Tug Adinath-8 will not have major effect looking to overall operation of the Company.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORBTION, FOREIGN EXCHNGE EARNINGS AND OUTGO

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 related to Conversation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo for the financial year ended 31st March 2013 are given in ***Annexure - I*** attached hereto and forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

As required under the provisions of Clause 49 (IV) (f) of Listing Agreement, a detailed review of the operations, performance and future outlook of the Company and its business is given in the Management's Discussion and Analysis Report which form of this Report as ***Annexure - II***

PARTICULARS OF EMPLOYEES

There are no employees in the Company whose particulars are required to be provided under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

CORPORATE GOVERNANCE REPORT

We adhere to the principal of Corporate Governance mandated by the Securities and Exchange Board of India (SEBI) and have implemented all the prescribed stipulations. As required by Clause 49 of the Listing Agreement, a detailed report on Corporate Governance forms part of this Report as ***Annexure - III***. The Auditors' Certificate on compliance with Corporate Governance requirements by the Company is attached.

AUDITORS

The present Statutory Auditors of the Company, M/s. K. Solanki & Co., Chartered Accountants, Ahmedabad, retire as Statutory Auditors at the conclusion of this Annual General Meeting. They are eligible for re-appointment and the Company has received a Certificate from them that their re-appointment, if made, would be within the limits under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such an appointment within the meaning of sub-sections (3) and (4) of Section 226 of the Companies Act, 1956. Their reappointment is recommended by the board.

AUDITORS' REPORT

Notes to the accounts, as referred in the Auditors Report, are self-explanatory and therefore do not call for any further comments and explanations.

FIXED DEPOSITS

During the year ended on 31st March 2013, the Company has not accepted any Fixed Deposits from public under Section 58A & 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

CAUTIONARY STATEMENT

Statements in the Directors Report and the Management discussion & Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global & domestic demand and supply conditions affecting selling prices, new capacity additions, availability of critical materials and its cost, changes in government policies and tax laws, economic development of the country and such other factors which are material to the business operations of the Company.

ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude, the commitment and dedication of the employees, their untiring personal efforts and collective contributions at all levels that has led to the growth and success of the Company. The Directors would also like to thank other stakeholders including banks and business associates who have continued to provide support and encouragement to the Company.

For and on Behalf of Board of Directors

Place : Ahmedabad
Date : 30th May, 2013

MANOJ KUMAR JAIN
MANAGING DIRECTOR

ANNEXURE – I TO DIRECTORS' REPORT

Information as per Section 217 (1) (e) read with the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March 2013.

A. CONSERVATION OF ENERGY

a)	Energy conservation measure taken	:	In the ship breaking and offshore activities carried out by the Company, the energy consumption is Negligible, and does not require any specific energy conservation measures
b)	Additional investment and proposal if any being implemented for reduction in consumption of energy.	:	No material consideration looking to the business of the Company
c)	Impact of the measures at (a) & (b) on energy consumption & consequent impact on the cost of production.	:	N.A.
d)	Total energy consumption and energy consumption per unit of production	:	Nil

B. TECHNOLOGY ABSORPTION:-

The Company is engaged in the business of breaking of old and used ships and in the business of off-shore segment. No material Research & Development is carried out in any specific area and therefore no details are furnished on matters related to Technology Absorption.

C. FOREIGN EXCHANGE EARNING & OUTGO

1. Activities relating to export initiatives taken to increase exports, development of new markets for products and services and export plans : NIL
2. During the year, the Company earned / spent foreign exchange as under :

   Earnings : ₹ 714.52 Lacs

   Outgo : ₹ 7789.80 Lacs

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLAIMER STATEMENT:

Certain statements in this report on Management Discussion and Analysis may be forward looking statements and have been issued in terms of the applicable security laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed in the statements or implied due to the influence of external and internal factors, which are beyond the control of the Company. The Company assumes no responsibility in respect of forward looking statements, which may be amended or modified in future on the basis of subsequent developments, information's or events.

BACKGROUND:

VMS Industries Ltd was originally incorporated on December 2, 1991 as a Private Limited Company in the name and style of "Varun Management Services Pvt. Ltd" by its Promoters. The Company acquired a Ship Breaking Plot in the year 2007 and to reflect the business of the Company the name was changed to "VMS Industries Pvt. Ltd". The constitution of the Company was changed to Public limited Company with effect from January 29, 2010 and consequently the name was changed to "VMS Industries Limited".

BUSINESS OVERVIEW:

Our present business mainly consists of two business segments:-

1. **Ship Recycling Activities:-**

   During the year 2004, Gujarat Maritime Board auctioned vacant plots and under open bid we have been allotted vacant Plot No. 160 at Alang-Sosiya Ship Breaking Yard admeasuring 1350 sq. meter on a lease basis. However, our Company could not start ship breaking activities due to change in policy for ship recycling plant, requiring higher size (2700 sq mtrs) of plot and therefore we could not get permission for utilization of plot from GMB. Meanwhile, in the year 2007, the plot size was enlarged to 2700 sq. meter as per the instructions given by the Inter Ministerial Committee constituted by Hon. Supreme Court, by merging the adjoining Plot No. 159 and our Company was permitted to use the merged Plot No. 160M for a period of 5 years and subject to renewal thereafter.

   We started the ship recycling activity during the financial year 2009-10 and purchased total Seventeen (17) ships for our ship recycling activities till date, whose details are as under:-

Sr.No.	Name of the Ship	Weight (MT)
1.	Loretta D	6150
2.	Colomobo Star II	5850
3.	Madre	8150
4.	Venus Gas	3912
5.	Winco	2987
6.	MT Mar	9653
7.	Libra Gas II	3126
8.	Annoula	9749
9.	Kapadokia	11432
10.	M V Green Neptunic	2420
11.	Jamaima	6522
12.	Kingsway	16691
13.	Theresa Lepoard	10730
14.	MV Ocean	9890
15	Shan	14850
16	Interboard	9040
17	Haci Ali Sari	5203

2. **Off-shore business activities and supporting services:-,**

   The Company possessed Tug known as 'Adinath-8' in its Off shore Business segment. Due to non-viability, our Company do not operate it's Off-Shore activities from April, 2012 and therefore Board of Directors decided to sold the same tug by Instrument of Sale dt 28.09.2012.

3. Apart from the above two business segment, the Company is also Partner in following Partnership Firm:-
   - M/s Eternal Automobiles (dealer of Honda Two Wheeler) in Bhavnagar. The current profit sharing ratio of the Company is 80 % and the balance 20 % are with Promoter Group and their Relatives.
   - M/s VMS Industries. The current profit sharing ratio of the Company is 50 % and the balance 50 % are with Promoter Group and their Relatives.

INDUSTRY OVERVIEW:

1. SHIP BREAKING INDUSTRY:

Overview

Ship breaking is a type of disposal of ship involving the breaking up of ships for scrap recycling, with the hulls being discarded in ship graveyards. Ship breaking is a typical activity, which adds value through a 'demolition' process. Most ships have a lifespan of a few decades before there is so much wear that refitting and repair becomes uneconomical. When a ship goes uneconomic / unsafe as per standards of safety to operate, it is sent for demolition to ship breaking yards. Ship breaking allows materials from the ship, especially steel, to be reused. Equipment on board of the vessel can also be reused. The contribution of the ship breaking yards is to generate value out of unusable ships by segregating it into various components that have their own economic value by subjecting it to a systematic demolishing process.

Until the late 20th century, ship breaking took place in port cities of industrialized countries such as the United Kingdom and the United States. Today, most ship breaking yards are in Pakistan, Bangladesh, and India. Turkey performs just a handful of demolitions each year. Though western countries have developed superior technologies, which result into high productivity, Asian countries have come up a low cost proposition for two reasons. One, relatively the manpower is very cheap in these countries. So even at a lower productivity rate, operations in these countries prove to be relatively cheaper. Second, western countries have very high standards of safety, which calls for costly measures for ensuring safety

The reasons behind ship breaking/ recycling being carried out in these countries are as follows:

(1) Cheap and abundant labour;

(2) Vast coastal area with good and favorable tidal impact; and

(3) Management ability.

Primarily India occupied the first position in the world, but with the passage of time the same was replaced by China

❖ **GLOBAL SCENARIO**

With the announcement of budget, implementation of new taxes and instability undermining fundamentals across the Indian sub-continent has created an attention grabbing situation for all the business fronts. Consequent to fluctuation, in local market together with the chronic oversupply, created challenging situation of instability for the previously bullish end buyers of China. In this context, the industry players decided to convene the annual Trade winds recycling conference in Dubai, to cover the turbulent events of the year to be a hot topic of debate.

India being the largest recycling destination, where the much anticipated budget was announced, has remained central to sentiments across the sub-continent. Resultantly, there were few overall material changes to affect the recycling industry. As it remains, if it's not local steel plate prices causing suffering on the Indian shorefront, the currency is sure to play its role to the despair of local buyers!

News of 5% tax hike on new vessels to be imported for recycling came as a biggest shock for the Pakistan. With this sudden shocking news buyers across the board at Gadani have decided to put a halt on buying activities for the time being until the fine print has been read and all is fully understood regarding the potential new payments/taxes. Bangladesh, facing the traumatic situation of riots, strikes and unfortunate deaths after the announcement, that an Islamist party leader was sentenced to death. The whole country has ground to a virtual standstill with police and rioters reportedly clashing.

China experienced some worrying signs of decline as many end buyers chose simply not to offer following the recent binge on units there and sentiment stuttered for the first time this year. Finally, as Turkey continues its encouraging start to the year, a few more sales come to light.

(Source: http://www.sriaindia.com/pdf/Alang-%20A%20Green%20Re-Incarnation%20-%20March%202013.pdf)

Ship Recycling At Alang, Bhavnagar (Gujarat)

Domestic Market

Indian steel demand to grow by 6.7pct till FY17 - CARE Research (Source Steelrates.com)

- According to a report on steel industry by Credit Analysis & Research Limited, domestic steel demand is likely to grow by 6.7% annually till 2016-17, faster than the expected growth in Chinese demand during the same period.
- Domestic steel capacity increased at a compound annual growth rate (CAGR) of 8% in 2004-05 to 2011-12. In line with the domestic steel capacity, steel production in the domestic market also recorded a similar increase during the same period.
- However, in near terms, the domestic steel industry would remain in a deficit state for the next 2 years. · Increase in the demand is likely to be offset by the rise in supply of the metal, thereby, keeping the domestic demand stable in the near term.
- CARE said that the demand for flat products in the domestic market is likely to be supported by the automobiles and the pipe manufacturing sector, although at a timid pace, demand for long products will continue to increase on the back of modest growth in demand from the construction sector.

- The global supply of steel is expected to continue to adjust itself with the change in demand.
- The global steel industry witnessed a rather structural shift in its consumption pattern as the demand for steel in the European Union and the US failed to reach the consumption levels it achieved in calendar year 2001.

However, steel appetite from the emerging economies like China and India increased significantly.

Globally, steel production is likely to increase at a CAGR of around 2 per cent during CY11 to CY14.

- **OUTLOOK**
  - **Stable Outlook for 2013**: India Ratings, which is a group firm of global rating agency Fitch, expects credit profiles of its rated steel producers to remain stable in 2013, driven by continued albeit slow growth in domestic steel demand. The majorities (92%) of ratings are on Stable Outlooks and most of them are below 'IND BBB-', which reflects the inherent risks in the steel sector.

    (National Long-Term Issuer rating of 'BBB-(ind)' (BBB minus (ind)) to the company. The Outlook is Stable.)
  - **Moderate Demand Growth**: World Steel Association has forecasted steel consumption in India to grow at 5% in 2013. Steel producers may see a spurt in demand in the medium-term if the Indian government implements its USD 1 trillion infrastructure investment plan in a timely manner. The demand for flat steel from automobile, white goods and capital goods sectors is likely to remain modest in 2013, given the continued slow economic growth.
  - **Modest Margins:** Though Indian steel producers increased prices by INR500-INR1,000 per tonne in December 2012, India Ratings expects profit margins in 2013 to remain broadly similar to 2012 levels. This is due to the persistent high cost of steel production and steel producers' limited ability to pass on higher costs due to subdued demand from end-user industries. The margin pressure will be higher on the producers with no captive raw material linkages.
  - **High Interest Cost**: The cost of funding working-capital requirements has remained high despite the marginal reduction in repo rate by the Reserve Bank of India (RBI) in early 2012. India Ratings expects a gradual reduction in the interest rate in 2013 which should provide some relief in interest cost. While higher-rated issuers invariably have access to bank funding and capital markets in certain cases, most issuers in the 'IND A' (a strong credit risk relative to other issuers or issues in the country)and below categories rely largely on bank financing and are severely affected by high interest costs.
  - **Rupee Depreciation, Mixed Impact:** Considering the modest demand scenario, a further rupee depreciation could pressurize the margins of companies producing flat steel through blast furnace route as bulk of coking coal is imported. This is despite import price parity of flat steel products. Moreover, a weaker rupee raises the financial leverage of steel producers with significant un-hedged foreign-currency liabilities resulting in a decrease in financial flexibility. However, the agency expects financial leverage of rated entities to remain within the guidelines stipulated for the respective rating category.
- **FACTORS LEADING CHANGE IN THE OUTLOOK**:
  - **Global Recession**: A negative outlook may arise from continued weak macroeconomic environment in India which could adversely affect financial and liquidity profiles of issuers beyond that expected by the agency. Positive rating changes are unlikely in 2013, with India Ratings being more likely to take rating actions on a company-basis rather than on the sector as a whole.
  - **Moderate Demand:** The demand for steel from automobile, white goods and capital goods will remain muted throughout 2013, given the continued slowdown of Indian economy. Any prolonged deferral of corporate capex due to prevailing high interest rate could further impede growth in steel demand. India Ratings expects RBI to reduce interest rates gradually in 2013 and the magnitude of reduction will determine the extent of demand revival fromend user industries. Also, Indian government's plan to invest USD 1 trillion in the infrastructure sector could boost demand for steel, provided it is implemented on time. Domestic steel consumption grew by a modest 5.3% yoy over January-November 2012 due to headwinds from the unfavorable macroeconomic environment. During the same period, imports grew by 24.8% yoy to 7mt, while exports increased 15.4% yoy to 4.3mt.
  - **Modest Increase in Steel Prices:** India Ratings expects steel prices to show modest recovery in 2013 due to the cost-push effect. The ability to raise steel prices in the Indian market is also limited by the global nature of the market, coupled with oversupply and weak demand in the international market. Imports, though contained to an extent by rupee depreciation, have already touched an all-time high of 10% of the total production in 2012. Moreover, Indian government's free trade agreements with Japan and South Korea, under which these countries are eligible for lower custom duties, are resulting in an increase in imports of steel from these countries, thus further pressurizing the domestic steel prices.
  - **Overcapacity Risk:** The domestic steel industry could face the risk of overcapacity in the Medium-to-long term as Indian steelmaking capacity is slated to cross 100mt in 2013, which could pressure steel prices. However, given the expected shortage of iron ore in 2013 due to iron ore mining mess, most steelmakers who depend on external mines for their iron-ore requirement may not run on full capacity thus limiting the overcapacity concern. Also, the delay in Greenfield capacity additions, due to regulatory hurdles such as land acquisitions and the rehabilitation of settlements, will continue to mitigate some of the overcapacity concerns.

    (Sources: India Ratings & Research, 2013 Outlook: Indian Steel Producers)
  - **Steel Industry in India**: India improved its ranking to become the 4th largest producer of crude steel in the world during 2011 after China, Japan and the USA. The country's production grew by around 6% in 2011 over 2010. India's rank in the world order of steel production remained unchanged at fourth slot with an output of 76.7 million tonnes, despite logging the highest growth of 4.3 per cent among major producing nations in 2012.The trend of crude steel production in India is shown in the following table:

GROWTH OF THE COMPANY

The Income / Receipts from Operations for the year ended March 31, 2013 amounted to ₹13141.60 Lacs in comparison to ₹ 12002.33 Lacs for the previous year ended March 31, 2012. This resulted into a growth of 9.50 % in Turnover of the Company as compared to the last financial year ended on 31st March, 2012. The Net profit of the year has also been increased by 30.55 % resulting to ₹ 157.74 lacs as compared to previous year ended.

FINANCIAL RESOURCES

The Company requires additional funds to meet its Capex and Long term working capital requirements to achieve its desired future target. In view of this, the Company has raised funds from Banks in the year under review.

OPERATIONS REVIEW

During the year under review, the driving areas of the Company were Ship Breaking unit which have achieved substantial increase in terms of Services/ Sales Turnover.

As has been stated in the out-look, due to boom in the availability of old ships in the international market, the Company's ship breaking unit at Alang Ship Breaking Yard, Bhavnagar is fully operational throughout the year and sales turnover in ship breaking activities has seen a manifold increase. However due to heavy fluctuation in the rates of old ships purchased for breaking, dollar-rupee rates and also sales price of Iron and Steel products of the Company, the profit margins could not be achieved as desired. However, now the market has stabilized and taking into account the inventory level of the Company as at the year-end, it is hoped that the turnover and the profitability will see a reasonable increase in the current financial year.

RISK MANAGEMENT

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship, which is purchased from the international market on credit ranging upto 180 days to 360 days. Though the Company is not hedging or covering the foreign exchange requirement, the Company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the Company is employing such measures, the Company is still exposed to the risk of any foreign exchange fluctuation.

Likewise, the Company's finished products are mainly re-rollable scrap generated from Ship Recycling and the price of the same is linked to the market rate for iron and steel. Any ups and downs in the price of the iron and steel will affect the profitability of the Company. The Company keeps a watch on the movement of scrap prices and accordingly decides its policy regarding purchase of ships and sale of scrap

FUTURE PROSPECTUS

The business activity of Ship-Recycling industry at Alang Ship Breaking Yard is likely to increase substantially in view of favorable availability of second hand ships and demand of ship-recycled material. Your Company is also optimistic that with the stabilization in price for the old ship in the international markets and in the sale price of recycled products in the domestic market, the Company will be able to improve the turnover and the profitability ratios in the coming years.

In view of modernization and expansion of various ports in Gujarat, the Company is optimistic of substantial rise in off-shore services activity. The Company is exploring possibility to increase off-shore activities in the near future.

CERTIFICATIONS

The Company had received the certification under the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for Ship-Recycling and Off-shore activities and ISO30000:2009 for Ship-Recycling activities.

HUMAN RESOURCE DEVELOPMENT

The Company recognizes human resources as its biggest strength which has resulted in getting acknowledgement that the Company is the right destination where with the growth of the organization, value addition of individual employees is assured. The total number of employees as on 31st March, 2013 is 40.

INTERNAL CONTROL

The Company has an adequate internal control system for safeguarding the assets financial transactions of the Company. The strong internal control system has been designed in such a way that, not only it prevents fraud and misuse of the Company's resources but also protect shareholders interest.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied therein.

For & On Behalf of Board of Directors

Date : 30th May, 2013
Place : Ahmedabad

Manoj Kumar Jain
Managing Director