



23rd Annual Report

Report 2002-2003

VALLABH STEELS LIMITED



VALLABH STEELS LIMITED

BOARD OF DIRECTORS

Mr. Kapil Jain	Chairman
Mr. Rahul Jain	Whole Time Director
Mr. M. K. Jain	Director
Mr. Mohan Lal	Director
Mr. Ashok Jain	Director
Mr. Jawahar Jain	Director

AUDITORS

M/s Raj Gupta & Co.
Chartered Accountants
Miller Ganj, Ludhiana-141 003

BANKERS

Punjab National Bank
International Banking Branch
Industrial Area - 'A',
Ludhiana-141 003.

State Bank of India
Specialised Commercial Branch
Miller Ganj, Pahwa Hospital Complex,
Ludhiana-141 003.

REGISTERED OFFICE

G.T. Road, Pawa, Sahnewal,
Ludhiana - 141 120 (Punjab)

WORKS

- (i) G.T. Road, Pawa, Sahnewal,
Ludhiana-141 120 (Punjab)
- (ii) G.T. Road, Nandpur, Sahnewal,
Ludhiana-141 120 (Punjab)
- (iii) G.T. Road, Village Kanech,
Sahnewal, Ludhiana - 141 120 (Punjab)

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VALLABH STEELS LIMITED

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the members of Vallabh Steels Limited will be held at Registered Office of the company situated at G.T. Road, Village Pawa, Sahnewal, Ludhiana on Monday, the 29th September, 2003 at 10.00 A.M. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To declare dividend on Preference Shares.
3. a) To appoint a Director in place of Mr. M.K. Jain who retires by rotation and being eligible offers himself for re-appointment.
b) To appoint a Director in place of Mr. Rahul Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS

5. **TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), IF ANY, THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:**

"RESOLVED THAT Mr. Jawahar Jain who was appointed as an Additional Director under section 260 of the Companies Act, 1956 and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. **TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), IF ANY, THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements & Section 61 and all other applicable provisions of the Companies Act, 1956 including any statutory modifications or re-enactments thereof for the time being in force and subject to such consents, permissions or sanctions as may be required from any authority, statutory or otherwise, the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting of its Equity Shares listed at The Ludhiana Stock Exchange Association Limited (LSE), Ludhiana; The Delhi Stock Exchange Association Limited (DSE), Delhi and The Calcutta Stock Exchange Association Limited, Kolkata (CSE) and for that matter to approach the LSE, DSE and CSE respectively and/or any other concerned authority(ies) seeking its (their) approval for Voluntary Delisting of the Equity Shares from the said Stock Exchange(s)."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to settle any questions, difficulties or doubts as may arise in regard to the aforesaid Voluntary Delisting of Shares as it may, in its absolute discretion, deem fit without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution."



VALLABH STEELS LIMITED

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its committee or any of its Directors or any of the officers of the Company to do all such acts, deeds or things to give effect to the above said resolution."

7. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), IF ANY, THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the company to hypothecate and/or mortgage and/or to create charge on all the immoveable and moveable properties of the company wheresoever situate, present and future and the whole or substantially the whole of the company's undertaking(s), including the properties/assets comprised in any existing and/or new undertakings of the Company as the case may be in favour of the following banks/lenders to secure;

- A. 1. Rupee Term Loan not exceeding Rs. 2500 lacs (Rupees twenty five crores only) lent and advanced/agreed to be lent and advanced by Punjab National Bank to the Company;
 2. Rupee Term Loan not exceeding Rs. 1500 lacs (Rupees fifteen crores only) lent and advanced/agreed to be lent and advanced by Canara Bank to the Company;
 3. Rupee Term Loan(s) not exceeding Rs. 1000 lacs (Rupees ten crores only) lent and advanced/agreed to be lent and advanced by any other Banks / Financial Institutions / Company(ies) / Persons to the Company.
- B. The interest at the respective agreed rates, compound/additional interest, commitment charges/premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company in terms or respective Loan Agreements/heads of Agreements/Letters of sanction/Memorandum of terms and conditions or any other Agreements as may be entered into/ to be entered into by the Company, in respect of above said Term Loans."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to mortgage and/or hypothecate/create first/second/ pari-passu charge in such manner and in such form upon moveable and immoveable assets of the Company, both present and future and the whole or substantially the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events, in favour of the aforesaid Banks / Financial Institutions / Company(ies) / Person(s) to secure term loan or any other kind of financial assistance as may be deemed necessary, desirable and in the best interest of the Company from time to time and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the documents and such other agreements for creation of charge as aforesaid and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution."

By order of the Board of Directors

Sd/-

**PLACE : LUDHIANA
DATED : 01.09.2003**

**(KAPIL JAIN)
CHAIRMAN**



VALLABH STEELS LIMITED

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and the proxy need not be a member of the company. Proxy Form, in order to be effective must be delivered at the Regd. office of the Company atleast 48 hours before the scheduled time of the meeting. The blank Proxy Form is enclosed.
2. The Register of Members and Share Transfer Books of the company will remain closed from Thursday, the 25th September, 2003 to Monday, the 29th September, 2003 (both days inclusive).
3. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the company. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
4. Members are requested to send their queries on the accounts, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have relevant information ready at the meeting.
5. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
6. Members may also note that the equity shares of the company have been included in the list of securities for compulsory trading in dematerialisation form. Shareholders are, therefore, advised to dematerialise their shareholding to avoid inconvenience in future, they are requested to send their Dematerialisation Request Form (DRF) through their Depository Participants (DP).
7. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items no. 5 to 7 is annexed hereto and forms part of the Notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS:

FOR ITEM NO. 5

Mr. Jawahar Jain was appointed as an Additional Director of the Company on 31.03.2003 in terms of section 260 of the Companies Act, 1956. He holds office until the date of this Annual General Meeting. Notice in writing has been received from a member of the Company in accordance with section 257 of the Companies Act, 1956 alongwith deposit of Rs. 500/- signifying his intention to propose Mr. Jawahar Jain as a candidate for the office of Director liable to retire by rotation.

Memorandum of Interest

None of the Directors except Mr. Jawahar Jain, the appointee is interested in this resolution.

FOR ITEM NO. 6

Presently, the equity shares of the company are listed on The Delhi Stock Exchange Association Limited (DSE), The Stock Exchange Mumbai (BSE), The Ludhiana Stock Exchange Association Limited, Ludhiana (LSE) and The Calcutta Stock Exchange, Kolkata (CSE). The Securities & Exchange Board of India (SEBI) had notified "Delisting of Securities Guidelines - 2003" on February 17, 2003 (the Guidelines). As per the Guidelines, a company may seek voluntary delisting of its securities from all or some of the stock exchanges and further that an exit opportunity is not required to be provided in cases where such securities continue



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to be listed at a Stock Exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE).

The trading of the equity shares of Rs. 10/- each of your company at LSE, DSE & CSE is rare and trading volume are virtually nil. Hence, it is proposed to delist the shares from LSE, DSE & CSE.

With the introduction of screen based trading on the BSE, trading in shares can be done throughout the country as the company's shares shall continue to be listed on BSE. Hence, the shareholders in these regions may not suffer due to delisting.

Members approval is being accordingly sought by a special resolution to enable voluntary delisting of the company's shares from LSE, DSE & CSE in accordance with SEBI Guidelines and Stock Exchange Rules. Your Directors recommend the resolution as contained in item no. 6 of the notice for your approval.

Memorandum of Interest

None of the Directors is interested or concerned in this resolution.

FOR ITEM NO. 7

To part finance the cost of company's proposed Sponge Iron project being setup in the State of Jharkhand with a capacity of 350 TPD, Punjab National Bank sanctioned a term loan of Rs. 2018.19 lacs and Canara Bank has sanctioned, in principle, a term loan of Rs. 1000.00 lacs. Besides the Company may be required to avail of Term Loan(s) from other Banks / Financial Institutions / Company(ies) / Person(s) for its financial requirements in due course. One of the terms for grant of above said loans is will be creation of mortgage, hypothecation and charge on the moveable and immoveable properties of the company which the Company proposes to create as agreed to with the said Banks/Financial Institutions / Company(ies) / Person(s). Under Section 293(1)(a) of the Companies Act, 1956 for creation of mortgage and charge, approval of shareholders is required. Hence, the Board recommends the resolution for your approval.

Memorandum of Interest

None of the Directors is interested or concerned in this resolution.

By order of the Board of Directors

Sd/-

**PLACE : LUDHIANA
DATED : 01.09.2003**

**(KAPIL JAIN)
CHAIRMAN**



VALLABH STEELS LIMITED

DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 23rd Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2003

FINANCIAL RESULTS

	(Rupees in Lacs)	
	Current Year	Previous year
Operating Income	22782.13	18618.80
Profit before Interest, Depreciation and tax	695.42	501.52
Less :		
Financial Expenses	94.79	147.69
Provision for Depreciation	285.36	277.54
Taxes : Current Tax	123.50	23.30
Deferred Tax	3.89	4.90
Profit after Tax	507.54	453.43
Add: Balance b/f from previous Year	187.88	48.09
Profit available for appropriations	647.28	650.23
Appropriations:		
Proposed Dividend on Preference shares	0.22	0.22
Tax adjustment of earlier years	0.04	0.82
Tax on proposed dividend	0.03	---
Transferred to General Reserve	50.00	50.00
Surplus carried to Balance Sheet	784.87	647.28
	835.16	698.32

OPERATIONS

During the year under review, your company has achieved operating income of Rs. 22782.13 lacs, against previous year income of Rs. 18618.80 lacs thus registering an increase of 22%. This has resulted in a gross profit of Rs. 695.42 lacs as compared to Rs. 501.52 lacs of previous year and quantum jump in profit after tax of over 290% which is placed at Rs. 187.88 lacs as compared to Rs. 48.09 lacs of previous year. This has been made possible due to optimum utilisation of resources, better product mix, better sales realisation and effective cost control.

BACKWARD INTEGRATION PROJECT

As a backward integration, the Company is setting up a project for the manufacture of sponge iron with a capacity of 350 tons per day in the state of Jharkhand for which the company has already started taking effective steps for implementation of the project and all financial arrangements have been tied up.

DIVIDEND

With a view to conserve resources for immediate future requirements, your directors have not recommended any dividend for the year under consideration. However, dividend at the fixed rate of 11% is recommended for payment on preference share capital.

LISTING OF SHARES

The Equity Shares of the Company are listed at The Delhi Stock Exchange Association Limited, DSE House, 3/1 Asaf Ali Road, New Delhi, The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana, The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai and The Calcutta stock Exchange Association Limited, 7 Lyons Range, Kolkata. The company has duly paid the listing fee to all the aforesaid Stock Exchanges upto the financial year ending 31st March, 2004.

FIXED DEPOSITS

During the year, your Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 and the Rules made thereunder.



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DIRECTORS

Mr. M.K. Jain and Mr. Rahul Jain, Directors of the company retire by rotation and being eligible offer themselves for re-appointment.

Mr. Jawahar Jain was appointed as Additional Director of the Company pursuant to section 260 of the Companies Act, 1956 w.e.f. 31st March, 2003. Notice under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director liable to retire by rotation has been received from a member along with requisite deposit.

CORPORATE GOVERNANCE

Corporate Governance and Management Discussion and Analysis Reports along with Certificate of the Auditors of your company pursuant to clause 49 of the Listing Agreement with the Stock Exchanges has been included in the report as Annexure-I. Your company has been practicing the principle of good Corporate Governance over the years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

AUDITORS

M/s Raj Gupta & Co., Chartered Accountants, Auditors of the company, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. They have furnished a certificate to the effect that re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the companies Act, 1956.

AUDITORS' REPORT

The Auditors' report read with the relevant notes on accounts for the year under review is self explanatory and do not call for any further comments as there are no adverse remarks in the Auditors' Report.

COST AUDITORS

The Board of Directors has appointed M/s Verma, Verma & Associates, Cost Accountants, Jalandhar as the Cost Auditors of the Company under Section 233 B of the Companies Act, 1956 for which approval of the Central Government has been taken to conduct audit in respect of Steel Pipes for the year 2003-04.

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

Information as per section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure-II forming part of this report.

PERSONNEL AND INDUSTRIAL RELATIONS

The Management - Employees relations remained cordial throughout the year. The results achieved during the year have been possible only with the dedication and hard work at all levels of workers, staff and executives of the Company.

None of the employees of the Company is covered under Section 217(2A) of the companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

AUDIT COMMITTEE

The constituent members of the Audit Committee are Sh. Mohan Lal, Sh. Ashok Jain and Sh. Jawahar Jain. Sh. Ashok Jain has been the Chairman of the said Committee. The statutory auditors and internal auditors are the permanent invitees to the audit committee meetings. The Committee met thrice during the year under review. The committee has decided to increase the frequency of the meetings in the forthcoming year.

DIRECTORS' RESPONSIBILITY STATEMENT

Director's responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 is given in Annexure-III forming part of this report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their sincere thanks and appreciation to the team of executives, staff members and workers at all levels for their co-operation, hard work, dedication and devotion. Our thanks are also due to the Bankers, Financial Institutions, Government Authorities and Business Constituents for their continued support and co-operation extended from time to time to the Company.

By order of the Board of Directors

Sd-

(KAPIL JAIN)
CHAIRMAN

PLACE : LUDHIANA
DATED : 01.09.2003



VALLABH STEELS LIMITED

ANNEXURE - I TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

I. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry Structure and Development :

Your Company is mainly engaged in the manufacturing and marketing of Steel Ingots, Pipes and Cold Rolled Steel Strips and Coils which fall within the single segment of "Iron & Steel Industry."

The Iron & Steel Industry, as a whole, has staged a major turnaround on the back of improved demand from User sector and firming up of prices. The Indian Iron & Steel Industry witnessed spurt in Exports apart from increase in domestic consumption during the year 2002-03.

(b) Company's Performance :

Your Company has performed remarkably well during the period under review in line with encouraging market scenario particularly in the Steel Industry in the financial year 2002-03.

The turnover and other income during the year 2002-03 has increased to Rs. 22782.13 lacs as against Rs. 18618.80 lacs in the previous year. The net profit after tax is placed at Rs. 187.88 lacs as compared to Rs. 48.09 lacs. Your company is encouraged with this success particularly of its strategy of taking its products to new markets.

(c) Dividend :

Your directors are constrained not to recommend the dividend on equity for the period under review for conserving resources to strengthen the financials of the company for its immediate requirements.

(d) Outlook : Opportunity, Threats, Risks & Concerns :

The Iron & Steel industry as a whole continues to witness buoyant trends. The overall increase in production capacity of the company, diversified product mix, expected economies of scale, highly responsive market conditions give us compelling reasons and surety for having optimistic outlook for substantial growth in the operating performance of your company in the times to come.

Your directors perceive following factors which may pose threat, risk & concern for the Iron & Steel Industry in general and your company in particular:

1. Any adverse conditions of User Sector to which it caters.
2. Quantitative restrictions and/or additional tariffs on exports from India by importing countries.
3. Cheap imports to India may exert pressure on domestic demand and prices.
4. Unpredictable and sharp cyclical movements in the raw material and other input prices.

The opportunities of growth for your company as detailed below are manifold in view of its Strengths which are also likely to counter the above concerns:-

1. Buoyant trends are continuing in User sector and it is expected that such trends will persist in the times ahead. Your company by virtue of quality and market oriented specification of its products have posted profitable operations during the most trying time in the past. As such current buoyant conditions are paving way for major strides towards improved performance in future.
2. The company's production capacity entails less outgo for servicing interest payments and repayments of principals vis-a vis its returns thus, improving cash flows of the company.
3. Well established customers base for the last over 22 years is serving as market guarantors of qualities and time bound commitment of supplies for the company's products thus widening the company's lucrative quality conscious customer base.
4. Your company's recently adopted strategy of taking its products to new markets has been a resounding success. Encouraging feedback from new customers gives optimism of momentum for its growth.
5. Your Company is fully poised to reap the benefits of economies of scale and it will be in a better position to negotiate raw material prices on long term bulk lifting basis & definite savings will also accrue in terms of overhead expenses related with administration, personnel & other fixed costs which will bring down the cost per unit of production and lead to higher profitability.
6. Your Company has strategic advantage, its units being located in the industry friendly area having all infrastructural amenities. The enriched product mix in tandem with market perceptions have access & acceptability to target indigenous markets.

Thus, your company stands in good stead to take head on successfully areas posing risks, concerns and threats to it.