



**25th Annual Report**  
**2004-2005**

**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,<br>Ludhiana-141 120 (Punjab)               | (ii) G.T. Road, Nandpur, Sahnewal,<br>Ludhiana-141 120 (Punjab)            |
| (iii) G.T. Road, Village Kanech,<br>Sahnewal, Ludhiana - 141 120 (Punjab) | (iv) G.T. Road, Village Bapror,<br>Tehsil Rajpura, Distt. Patiala (Punjab) |
| (v) Adityapur Industrial Complex,<br>Distt. Saraikela (Jharkhand)         |  |

CONTENTS	Page Nos.
NOTICE	1
DIRECTORS' REPORT	2-9
AUDITORS' REPORT	10-11
BALANCE SHEET	12
PROFIT & LOSS ACCOUNT	13
ANNEXURES	14-19
NOTES ON ACCOUNTS	20-22
BALANCE SHEET ABSTRACT	23
CASH FLOW STATEMENT	24



## VALLABH STEELS LIMITED

### NOTICE

Notice is hereby given that the 25th Annual General Meeting of the members of Vallabh Steels Limited will be held at Registered Office of the company at G.T. Road, Village Pawa, Sahnewal, Ludhiana on Saturday, the 30th July, 2005 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, 2005, Profit and Loss Account for the year ended on that date together with the Report of Auditors and Directors thereon.
2. To declare dividend on Preference Shares.
3. a) To appoint a Director in place of Mr. Ashok Jain who retires by rotation and being eligible offers himself for re-appointment.  
b) To appoint a Director in place of Mr. M.K. 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.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

(KAPIL JAIN)

DATED : 29.06.2005

CHAIRMAN

### 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 Wednesday, the 27th July, 2005 to Saturday, the 30th July, 2005 (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 Participant(s) (DP).



# VALLABH STEELS LIMITED

## DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 25th Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2005:

## FINANCIAL RESULTS

(Rupees in Lacs)

	Current Year	Previous year
<b>Turnover (Gross)</b>	<b>31527.14</b>	<b>24937.82</b>
Profit before Interest, Depreciation and tax	<b>1068.51</b>	<b>795.63</b>
Less :		
Financial Expenses	<b>168.20</b>	93.12
Provision for Depreciation	<b>353.20</b>	251.83
Taxes : Current Tax	<b>195.00</b>	141.01
Deferred Tax	<b>43.00</b>	<u>32.33</u>
Profit after Tax	<b>309.11</b>	<u>277.34</u>
Add: Balance b/f from previous Year	<b>1012.13</b>	<b>784.88</b>
<b>Profit available for appropriations</b>	<b>1321.24</b>	<b>1062.22</b>
<b>Appropriations:</b>		
Proposed Dividend on Preference shares	<b>0.22</b>	0.22
Tax adjustment of earlier years	<b>(12.76)</b>	(0.16)
Tax on proposed dividend	<b>0.03</b>	0.03
Transferred to General Reserve	<b>50.00</b>	50.00
Surplus carried to Balance Sheet	<b>1283.75</b>	<u>1012.13</u>
	<b>1321.24</b>	<u>1062.22</u>

## OPERATIONS

Your directors are pleased to inform you that during the year under review, your company has achieved Turnover (Gross) of Rs. 31527.14 lacs, against previous year income of Rs. 24937.82 lacs. This has resulted in a higher gross profit of Rs. 1068.51 lacs as compared to Rs. 795.63 lacs of previous year. After providing for interest of Rs. 168.20 lacs (Rs. 93.12 lacs) and depreciation of Rs. 353.20 lacs (Rs. 251.83 lacs), the profit before tax is placed at Rs. 547.11 lacs (Rs. 450.68 lacs) thus recording a growth of over 21%. After providing for taxation of Rs. 238 lacs (Rs. 173.34 lacs), net profit after tax is Rs. 309.11 lacs as compared to Rs. 277.34 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.

## EXPORTS

We are pleased to inform you that during the year under review the Company laid a major emphasis on Exports by exploring new markets for its products in various countries such as Ghana, Dubai, Ethiopia, China, Kuwait, Maritius, Sri Lanka and UAE etc. As a consequence of all out efforts made by the management for increase in exports of its products the company has been able to register a sharp jump in exports from Rs. 20.67 lacs to Rs. 1286.85 lacs (FOB Value). The company has been able to make major dent in export markets despite stiff competition and the management is quite hopeful that in future it will be able to achieve still better Exports turnover.

## BACKWARD INTEGRATION PROJECT

The work on company's backward intregation project for the manufacture of Sponge Iron with a capacity of 350 Tons per day in the State of Jharkhand is going on full swing. Civil construction is nearing completion and plant is at an advanced stage of erection. The management is quite hopeful to start operations on this project by October, 2005

## PROCEEDS OF PREFERENTIAL ISSUE

During the year 2003-04 the Company issued and allotted 16,50,000 Equity Shares of Rs. 10/- each at a Price of Rs. 10.34 per share of the value of Rs. 1,70,61,000/- on Preferential basis to the Promoters and persons acting in concert (after taking necessary permissions from SEBI and Stock Exchange). The proceeds of this Preferential issue have been utilised for meeting a part of the Project Cost related to Company's Sponge Iron Project being set up in the State of Jharkhand as per the object of issue stated in the Explanatory Statement to the notice calling the Extra Ordinary General Meeting to approve issue of Shares on Preferential basis.

## 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 Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai The company has duly paid the listing fee to The Stock Exchange, Mumbai upto the Financial Year 2005-06.



## VALLABH STEELS LIMITED

### 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.

### DIRECTORS

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

### 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 as dictated by compliance of statutory requirements, 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 (IB) 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 Auditor of the Company under Section 233 B of the Companies Act, 1956 for which application to the Central Government has already been made seeking approval for appointment of Cost Auditors to conduct audit in respect of Steel Pipes Unit for the year 2005-06.

### 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.

Statement pursuant to section 217(2A) of the Companies Act, 1956 and the companies (Particulars of Employment) rules, 1975 is given below:

Name	Age	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment held
Mr. Rahul Jain	31	Whole Time Director	3030000/-	B.Com.	9	1.04.97	1st Employment

Note: The above remuneration includes perquisites valued in accordance with the Income Tax Rules, 1962.

### 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 five times during the year under review.

### 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/-

PLACE : LUDHIANA  
DATED : 29.06.2005

(KAPIL JAIN)  
CHAIRMAN



## 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 steel & strips industry as a whole has staged a major turnaround on the back of improved demand from User sector and firming up of prices during the last over one year. The Indian Iron & Steel Industry witnessed spurt in Exports apart from increase in domestic consumption during the year 2004-05.

##### (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 2004-05.

The turnover(gross) and other income during the year 2004-05 has increased to Rs. 31527.14 lacs as against Rs. 24937.82 lacs in the previous year. The net profit after tax is placed at Rs. 309.11 lacs as compared to Rs. 277.34 lacs during the previous year. 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 any dividend on equity shares 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, diversified product mix, expected economies of scale, highly responsive market conditions give the management surety for having optimistic outlook for substantial growth in the operating performance of your company in near future.

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. Thus adversely affecting the demand.
2. Quantitative restrictions and/or additional tariffs of 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 may also 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 times 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 24 years.
4. Your company's recently adopted strategy of taking its products to new markets in India and abroad 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 on overheads will bring down the cost per unit of production and lead to higher profitability.
6. Your Company has strategic advantage as its units are located in the industry friendly area having all infrastructural amenities.

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

##### (e) Internal Control system and their adequacy:

Your company has adequate internal control systems commensurate with its size and nature of business to ensure efficient utilisation and protection of assets, compliance with statutes and proper recording of all transactions.



## VALLABH STEELS LIMITED

In addition, the company has engaged M/s Gupta Sanjeev & Co., Chartered Accountants as external independent agency to conduct internal audit of the affairs of your company.

The company has also an Audit Committee constituted pursuant to the provisions of Listing Agreement which reviews internal control system of the company from time to time besides looking into other areas in its scope.

### 2. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your company is committed to the attainment of highest level of transparency, integrity, accountability and equity in all dealings with shareholders, employees, lenders, government and other business constituents in all dealings in pursuit of its overall organisational goals.

In pursuance of the above, the Board of directors has constituted committees to implement its policies and guidelines and has set up adequate review systems for exercising effective management control and ensuring compliance of laws. There is adequate representation of independent directors on the Board. We believe in timely and transparent disclosure of information.

Our focus on sustainable growth, productivity improvement, commitment to quality, self-discipline, value of time, safety in operations and total customers satisfaction is unrelenting.

The company will continue its efforts towards raising the standards in Corporate Governance and will also review its systems and procedures constantly in pace with the changing economic environment from time to time as it feels that the Corporate Governance should be need based and is not seen only as an issue of compliance dictated by statutory requirements.

### 3. BOARD OF DIRECTORS:

#### (a) Board Meetings:

During the financial year 2004-05, eleven Board meetings were held on 19.04.2004, 26.05.2004, 16.06.2004, 21.06.2004, 31.07.2004, 02.08.2004, 30.10.2004, 20.11.2004, 02.12.2004, 29.01.2005 and 31.03.2005.

#### (b) Composition:

The Board comprises of six directors of which three are independent non-executive directors.

The details of the Board composition, attendance of directors at Board Meetings and their other members are given below:

Sr. No.	Name of Director	Designation	Category	No. of Board Meetings Attended	Attendance at last AGM	Total No. of Directorships in Public Ltd. Companies		No. of Committee positions in Public Ltd. Companies	
						Chairman	Member	Chairman	Member
1.	Mr. Kapil Jain	Director	Promoter	11	Yes	1	2	---	2
2.	Mr. Rahul Jain	Whole Time Director	Promoter	11	Yes	---	3	---	---
3.	Mr. M.K. Jain	Director	Promoter	10	No	---	1	---	---
4.	Mr. Mohan Lal	Director	Independent	6	No	---	2	---	3
5.	Mr. Ashok Jain	Director	Independent	7	Yes	---	2	3	---
6.	Mr. Jawahar Jain	Director	Independent	8	Yes	---	1	---	3

#### (c) Information of Directors Appointed/re-appointed:

A brief resume of the directors being appointed/re-appointed at the ensuing Annual General Meeting is furnished below:

1. Mr. Ashok Jain aged about 54 years is an Advocate and has an experience of over 30 years in profession and has been associated with the company for the last over three years.
2. Mr. M.K. Jain aged about 60 years is a reputed businessman and has an experience of over 34 years in trade and industry. He has been associated with the company since its inception.

#### (d) Audit Committee:

The Audit Committee of the company was comprises of Mr. Ashok Jain, Mr. Mohan Lal and Mr. Jawahar Jain with Sh. Ashok Jain as its chairman. All these members are non-executive directors of the Company. The Statutory Auditors i.e. Raj Gupta & Co., Chartered Accountants and Gupta Sanjeev & Co., Chartered Accountants, the Internal Auditors are permanent invitees to this committee. The terms of reference of the Audit Committee are as contained in Clause 49 of the Listing Agreement





## VALLABH STEELS LIMITED

The Audit Committee met five times on 21.06.2004, 31.07.2004, 30.10.2004, 16.11.2004 and 29.01.2005. All the members of the Committee attended all the meetings alongwith statutory Auditors and Internal Auditors as invitees.

### (e) Remuneration Committee :

The Company has constituted Remuneration Committee in line with Schedule XIII of the Companies Act, 1956 and clause 49 of the Listing Agreement. The remuneration committee comprises of three members namely Mr. Ashok Jain, Mr. Jawahar Jain and Mr. Mohan Lal with Sh. Ashok Jain as its Chairman.

All these members are non-executive independent Directors of the Company. The Remuneration Committee met once on 31.03.2005 in which all the members of the Committee were present.

### (4) DIRECTORS' REMUNERATION:

The company pays remuneration to the Whole Time Director as approved by the members of the company in the general body meeting. The details of remuneration paid to the Whole Time Director during the year 2004-05 are given below:

(Amount in Rs.)					
NAME	DESIGNATION	TENURE OF APPOINTMENT	SALARY	PERKS	TOTAL
Mr. Rahul Jain	Whole Time Director	01.04.2002 to 31.03.2007	3000000/-	30,000/-	3030000/-

Non-executive independent directors have not been paid any remuneration during 2004-05.

### (5) SHAREHOLDERS GRIEVANCE COMMITTEE:

Under the chairmanship of Sh. Ashok Jain and other members being Sh. Kapil Jain and Sh. Jawahar Jain. The compliance officer of this committee is Mr. Suresh Gupta. The quorum for the meeting is two directors and the committee meets frequently to dispose of investors' complaints/requests. During the year 2004-05 the committee met 17 times.

During the year 2004-05, the company received very few complaints/requests comprising of non-receipt of annual report, demat queries/requests and requests for transfers and demat etc. & all the complaints were duly replied to and requests duly complied with. There was no pendency in respect of share received for transfers/dematerialisation.

### (6) GENERAL BODY MEETINGS:

The details of last three Annual General Meetings (AGM) are as follows:-

MEETING	DAY, DATE & TIME OF MEETING	VENUE	NO. OF SPECIAL RESOLUTIONS
24th AGM	Wednesday, 21.07.2004, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	2
23rd AGM	Monday, 29.09.2003, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	2
22nd AGM	Friday, 27.09.2002, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	1

Note: During the year no resolution was required to be passed through Postal Ballot.

No Extraordinary General Meeting of the company was held during the year 2004-05.

### (7) DISCLOSURES :

During the period under review, there was no material significant transaction with the promoters, directors, management, their relatives etc. that may have potential conflict with the interest of the company at large.

There has not been any non-compliance by the company in respect of which penalties or strictures have been imposed by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

The company has not issued any GDRs/ADRs/Warrants & there are no warrants or convertible instruments pending as on 31.03.2005.

### (8) MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual report, publication of financial results in an English newspaper and in a vernacular newspaper and by filing reports & returns with the statutory bodies like Stock Exchanges and the Registrar of Companies.

The annual report, quarterly results and shareholding pattern of the company are also available on the EDIFAR Web-site viz. [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).