



27th Annual Report
2006-2007

VALLABH STEELS LIMITED



VALLABH STEELS LIMITED

BOARD OF DIRECTORS

Mr. Kapil Kumar Jain	Chairman
Mr. Rahul Jain	Whole Time Director
Mr. M. K. Jain	Director
Mr. Mohan Lal	Director
Mr. Mohinder Pal Gupta	Director
Mr. Jawahar Jain	Director

AUDITORS

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

BANKERS

Punjab National Bank
Large Corporate Branch
Bhagwati Tower, R.K. Road,
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 Bapror,
Tehsil Rajpura, Distt. Patiala (Punjab) | (iv) Vill. Dugdha Ghamaria,
Distt. Saraikela (Jharkhand) |

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VALLABH STEELS LIMITED

NOTICE

Notice is hereby given that the 27th 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 4th August, 2007 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, 2007, 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. Kapil Kumar Jain who retires by rotation and being eligible offers himself for re-appointment.
- b) To appoint a Director in place of Mr. Mohan Lal 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 A SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Section(s) 198, 269, 309, 311, 314 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and rules framed there under, including any statutory modification or re-enactment thereof and subject to such approvals as may be deemed necessary, including the approval of the Central Government, consent of the Company be and is hereby accorded for the payment of remuneration to Mr. Rahul Jain, Whole Time Director of the Company upto a consolidated salary of Rs.2,50,000/- (Rs. Two lac Fifty thousand only) plus other perks not exceeding Rs.50,000/- (Rs. Fifty Thousand Only) per month for a period of three years w.e.f.01.04.2007."

"RESOLVED FURTHER THAT Board of Directors/Remuneration Committee be and is hereby authorised to alter or increase or vary the terms and conditions of the said remuneration and/or agreement in such form and manner or with such modifications as the board may deem fit or as may be prescribed by the Central Government while granting necessary approvals, if any, in this regard and as may be acceptable to Mr. Rahul Jain, without again referring the same to the General meeting."

"RESOLVED FURTHER THAT where in any financial year, the company has no profits or its profits are inadequate during the tenure of remuneration as proposed of Mr. Rahul Jain, the remuneration aforesaid shall be the minimum remuneration provided that it does not exceed the limits as prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolutions."

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

DATED : 30.06.2007

(KAPIL KUMAR 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. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item No. 5 of Special Business is annexed hereto and forms part of this Notice.
3. The Register of Members and Share Transfer Books of the company will remain closed from Wednesday, the 1st August, 2007 to Saturday, the 4th August, 2007 (both days inclusive).
4. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Share Transfer Agents of the company. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
5. 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.
6. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
7. 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).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 5 OF SPECIAL BUSINESS:

ITEM NO. 5

Mr. Rahul Jain has been re-appointed by the Board in its meeting held on 29th March, 2007 as Whole Time Director of the Company for a period of three years with effect from 01.04.2007. As per the amendments in Schedule XIII (Part-II)(Section II) of the Companies Act, 1956 consent of the members of the Company by way of passing a Special Resolution is required for payment of remuneration to a Managerial person for a period not exceeding three years in case of Companies having no profits or inadequate profits.

The principal terms of remuneration of Mr. Rahul Jain as approved by the Remuneration Committee and by the Board of Directors of the Company for a period of three years w.e.f. 01.04.2007 is given in the proposed resolution. The Board recommends the resolution for your approval.

The above may be treated as an abstract and notice of Interest under Section 302 of the Companies Act, 1956.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Rahul Jain, the appointee and Mr. Kapil Kumar Jain being his relative is interested in the resolution.

STATEMENT ON THE INFORMATION AS REQUIRED UNDER SECTION II, PART II, OF SCHEDULE XIII OF THE COMPANIES ACT, 1956(AS AMENDED) IS GIVEN AS UNDER:

1. a) NATURE OF INDUSTRY:

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 during the last three/four years. The Indian Iron & Steel Industry witnessed spurt in Exports apart from increase in domestic consumption during the last three years.

b) DATE OF COMMENCEMENT OF COMMERCIAL PRODCUTION

The Company started its commercial production in December, 1980.



VALLABH STEELS LIMITED

c) FINANCIAL PERFORMANCE

Financial Performance of the Company in respect of units remaining with the Company excluding that of the Sponge Iron Unit being hived off for the last two years is given below:
Rs. In Lacs.

	2006-07	2005-06
Sale/Income from operations (Gross)	30575.57	32069.75
Gross Profit	1173.58	1352.58
Less Interest	569.11	361.03
Less Depreciation	287.85	303.27
Net Profit before tax	316.62	688.28
Provision for taxation	133.20	64.00
Deferred tax assets	(243.97)	168.12
Net Profit after tax	427.39	456.15

d) EXPORT PERFORMANCE

Export Performance during the year 2006-07 is as under:

Foreign Exchange Earnings	: Rs. 1,75,73,082/-
(Less) Foreign Exchange Outgo	: Rs. 8,06,025/-
Net Foreign Exchange Earnings	: Rs. 1,67,67,057/-

2. INFORMATION ABOUT MR. RAHUL JAIN:

a) BACKGROUND

Mr. Rahul Jain was first appointed as Whole Time Director of the Company w.e.f. 01.04.1997 and has now been re-appointed as Whole Time Director of the company for a further period of three years with effect from 01.04.2007. He has vast experience in the field of General Administration and project implementation.

b) PAST REMUNERATION

During his previous tenure upto 31.03.2007 Mr. Rahul Jain Whole Time Director has been paid a consolidated salary of Rs. 2,50,000/- (Rupees Two Lacs Fifty Thousand Only) per month plus reimbursement of expenses related to servant's salary of Rs. 2,500/- (Rupees Two Thousand Five Hundred Only) per month.

c) RECOGNITION OR AWARDS

Though no specific awards have been won by the Company its performance over the years is itself an award.

d) JOB PROFILE

Mr. Rahul Jain is a Director of the company from 1996. He was first appointed as Whole Time Director of the Company w.e.f 01.04.1997 for a period of 5 years and was re-appointed for a further period of 5 years w.e.f 01.04.2002 and further re-appointed for a period of 3 years w.e.f 01.04.2007. He looks after the work related to Project implementation, marketing and assisting the Chairman in formulating the Plans, future Policies of the Company.

e) REMUNERATION PROPOSED

A consolidated salary of Rs. 2,50,000/- (Rs. Two Lac Fifty thousand Only) per month for a period of three years w.e.f 01.04.2007 alongwith perks not exceeding Rs. 50,000/- per month is proposed to be paid to Mr. Rahul Jain as Whole Time Director of the Company as recommended by the Remuneration Committee.

f) COMPARATIVE REMUNERATION PROFILE

The remuneration profile with respect to manufacturing and other companies having comparative turnover as reported in the respective Annual Reports.

Sr. No.	Name of the Company	Name of the Managerial Personnel	Annual Turnover (Rs. In lacs)	Remuneration Paid* (Rs. Per annum)
1.	FCI OEN Connectors Limited.	Mr. Ashok Jaipuria, Chairman & Managing Director	19521.77	5379187/-
2.	Cosmo Films Limited	Mr. S. K. Mittal, E.D & CEO	45978.81	9546404/-
3.	South East Asia Marine Engg. & Construction Ltd.	Capt. C.J. Rodricks Managing Director	16363.27	6954827/-
4.	Dwarkish Sugar Industries Ltd.	Mr. Gautam R. Morarka Chairman & Managing Director	24820.82	14212128/-

* As reported in the Annual Report for Financial Year 2005-06.



VALLABH STEELS LIMITED

g) PECUNIARY RELATIONSHIP

Mr. Rahul Jain, except his appointment as Whole Time Director of the Company, has no pecuniary relation with the Company.

3. OTHER INFORMATION

a) REASONS FOR LOSS OR INADEQUATE PROFITS

Though the Company has not incurred losses, but there may be inadequacy of profits under section 198, 249 and 350 of the Companies Act, 1956 on account of the following factors;

1. Quantitative restrictions and/or additional tariffs of exports from India by importing countries.
2. Cheap imports to India creating pressure on domestic demand and prices.
3. Unpredictable and sharp cyclical movements in the raw material and other input prices.
4. Unfavourable Govt. policies in respect of import of Steel/ Steel products.

b) STEPS TAKEN BY THE MANAGEMENT TO IMPROVE THE PERFORMANCE OF THE COMPANY

The company has increased its production capacity, diversified its product mix, gaining economies of scale and integrated manufacturing facilities.

The 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 paying way for major strides towards improved performance in future. Besides the Company has recently adopted strategy of taking its products to new markets in India and Abroad and purchasing of raw material on long term bulk basis besides savings on overheads to bring down the cost per unit of production.

c) EXPECTED INCREASE IN PRODUCTIVITY AND PROFITS

The company is continuously improving its operational efficiency, productivity and cost control besides setting up new projects, which will help it to improve the bottom line in future. With the various steps taken by company and expansion plans and strategies under implementation the performance of the company is likely to improve in future.

4. DISCLOSURES

The remuneration package along with the corresponding details payable to the Whole Time Director has been mentioned earlier.

The aforesaid statements forms part of the Notice calling the AGM. None of the Directors except Mr. Rahul Jain, the Whole Time Director and Mr. Kapil Kumar Jain being his relative is concerned or interested in resolution at serial no. 5 of notice.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

(KAPIL KUMAR JAIN)

DATED : 30.06.2007

CHAIRMAN



VALLABH STEELS LIMITED

DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 27th Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2007:

FINANCIAL RESULTS

Your Directors hereby report that during the year under review the Company decided to hive off its Sponge Iron Unit set up in the State of Jharkhand for which 01.03.2006 has been fixed as the appointed date. A Scheme of Arrangement has been prepared for which approval of Bombay Stock Exchange Limited, Mumbai has already been obtained. The requisite Petition u/s 391 of the Companies Act, 1956 is expected to be filed in the Hon'ble Punjab & Haryana High Court at Chandigarh in the month of July, 2007. This Scheme of Arrangement shall become effective on a date on which a certified copy of the orders of the Hon'ble High Court sanctioning the Scheme is filed with the Registrar of Companies, Punjab, H.P and Chandigarh at Jalandhar City. Though the Company has compiled the Annual Accounts for the financial year ended 31.03.2007 (segregating the same into unit being hived off and units remaining with the Company), the financial results pertaining to the unit being hived off shall be transferred to the Special Purpose Vehicle (SPV) Company i.e. Zoom Vallabh Steel Limited from the appointed date i.e. 01.03.2006, we present hereunder the performance of the units remaining with the Company. However, these results will not be comparable with the previous years' results.

(Rupees in Lacs)

	Current Year	Previous year
Sale/Income from operations (Gross)	30575.57	32069.75
Profit before Interest, Depreciation and Tax	1173.58	1352.58
Less :		
Financial Expenses	569.11	361.04
Provision for Depreciation	287.85	303.27
Taxes : Current Tax & FBT	133.20	64.00
Deferred Tax	(243.97)	168.12
Profit after Tax	427.39	456.15
Add:		
Balance b/f from Previous Year	1678.35	1283.75
Profit available for appropriations	2105.74	1739.90
Appropriations:		
Proposed Dividend on Preference Shares	0.22	0.22
Tax on proposed dividend	0.04	0.03
Tax adjustments of earlier years	1.01	-
Transferred to General Reserve	50.00	75.00
Surplus Carried to Balance Sheet	2054.47	1664.65
	2105.74	1739.90

OPERATIONS

Your Directors are pleased to inform you that despite the constraints of loss making Sponge Iron Unit in the State of Jharkhand and without taking into account the financial results of the said unit (being hived off w.e.f. 01.03.2006), your Company has recorded a Sale/Income from operations (Gross) of Rs. 30575.57 lacs as compared to 32069.75 lacs of previous year showing a marginal decline of less than five percent. The operations of the units remaining with the Company have resulted in a net profit of Rs. 427.39 lacs after all adjustments as compared to Rs. 456.15 lacs thus registering a nominal decline of about 6.3 % which is attributed mainly to higher financial expenses and current taxes.



VALLABH STEELS LIMITED

EXPORTS

We are pleased to inform you that during the year under review the Company continued to export its products in various countries such as Ghana, Dubai, Bahrain, Abu Dhabi and Lagos etc.

However, due to wide fluctuation in prices and stiff competition, the exports were lower at Rs. 175.73 lacs as compared to Rs. 1014.45 lacs in previous year.

SCHEME OF ARRANGEMENT IN RESPECT OF SPONGE IRON UNIT IN THE STATE OF JHARKHAND

The Board of Directors of the Company in its meeting held on 24.11.2006 has approved the Scheme of Arrangement (the scheme) envisaging the restructure and transfer of the undertaking constituting the Sponge Iron Unit of the Company with a production capacity of 1,12,000 MT per annum set up in the State of Jharkhand to a separate company namely Zoom Vallabh Steel Limited as a Special Purpose Vehicle (SPV) in accordance with sections 391 and 394 of the Companies Act, 1956 subject to modification or alteration, if any, as may be required in consultations with the Legal Advisors/ Financial Consultants. The Scheme as finalized has been filed with Bombay Stock Exchange Limited and the Company has already received its approval. Further the said Scheme by way of Petition u/s 391 is expected to be filed in the Hon'ble High Court of Punjab and Haryana at Chandigarh in the month of July, 2007. The Scheme shall become effective on the date on which the certified copy of the orders of Hon'ble High Court sanctioning the Scheme is filed with the Registrar of Companies.

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 Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The company has duly paid the listing fee to Bombay Stock Exchange Limited, Mumbai upto the Financial Year 2007-08.

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. Kapil Kumar Jain and Mr. Mohan Lal, Directors of the company retire by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

Corporate Governance Report and Management Discussion and Analysis along with Certificate of the Auditors of your company pursuant to clause 49 of the Listing Agreement with the Stock Exchange(s) has been annexed to 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 (1B) of Section 224 of the companies Act, 1956.



VALLABH STEELS LIMITED

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 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 2007-08.

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 Employees) 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	33	Whole Time Director	3030000/-	B.Com.	11	1.04.97	1st Employment

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

AUDIT COMMITTEE

As per clause 49 of the Listing Agreement the Company has constituted an Audit Committee. The constituent members of the Audit Committee are Mr. Mohan Lal, Mr. Mohinder Pal Gupta and Mr. Jawahar Jain. Mr. Mohinder Pal Gupta is chairman of the Committee. The statutory auditors and internal auditors are the permanent invitees to the audit committee meetings. The Committee met four 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 : 30.06.2007

(KAPIL KUMAR JAIN)
CHAIRMAN



VALLABH STEELS LIMITED

ANNEXURE - I TO THE DIRECTORS REPORT

CORPORATE GOVERNANCE REPORT

I. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development :

Your Company is mainly engaged in the manufacturing and marketing of Steel Pipes and Cold Rolled Steel Strips & 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 two years. The Indian Iron & Steel Industry witnessed increase in Exports apart from increase in domestic consumption during the year 2006-07.

During this year the Company decided to hive off its loss making Sponge Iron Unit set up in the State of Jharkhand.

(b) Company's Performance :

After excluding the turnover and financial results of Sponge Iron Unit being hived off w.e.f 01.03.2006, the Sale/ Income from operations (Gross) of the other units remaining with the Company during the year 2006-07 has marginally declined to Rs. 30575.57 lacs as against Rs. 32069.75 lacs in the previous year. The net profit after tax is placed at Rs. 427.39 lacs as compared to Rs. 456.15 lacs during the previous year

(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 capacity of the company, 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 26 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.