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**28th Annual Report**

**2007-2008**

**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.

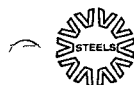
### REGISTERED OFFICE

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

### WORKS

- |   |   |
|---|---|
| (i) G.T. Road, Pawa, Sahnewal,<br>Ludhiana-141 120 (Punjab)                 | (ii) G.T. Road, Nandpur, Sahnewal,<br>Ludhiana-141 120 (Punjab) |
| (iii) G.T. Road, Village Bapror,<br>Tehsil Rajpura, Distt. Patiala (Punjab) | (iv) Vill. Dugdha Ghamaria,<br>Distt. Saraikela (Jharkhand)     |

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## VALLABH STEELS LIMITED

### NOTICE

Notice is hereby given that the 28th 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, Sahnawal, Ludhiana on Saturday, the 9th August, 2008 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, 2008, 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.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

(KAPIL KUMAR JAIN)

DATED : 30.06.2008

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 Tuesday, the 5th August, 2008 to Saturday, the 9th August, 2008 (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 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.
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 dematerialised form under ISIN No. INE 457E01016. 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 (DP).

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

(KAPIL KUMAR JAIN)

DATED : 30.06.2008

CHAIRMAN



## VALLABH STEELS LIMITED

### DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 28th Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2008:

### FINANCIAL RESULTS

As informed in our last report, during the financial year 2006-07 the company had decided to hive off its Sponge Iron Unit in Jharkhand State subject to necessary consents and approvals. The requisite petition under section 394 of the Companies Act, 1956 is pending in the Hon'ble Punjab & Haryana High Court at Chandigarh for approval of the Scheme of Arrangement which shall become effective on a date on which a certified copy of the orders of Hon'ble High Court sanctioning the Scheme is filed with the Registrar of Companies, Punjab, H.P. & Chandigarh at Jalandhar City.

Though the Company has compiled the Annual Accounts for the financial year ended 31.03.2008 (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.

	(Rupees in Lacs)	
	Current Year	Previous year
Sale/Income from operations (Gross)	32093.86	30575.57
Profit before Interest, Depreciation and Tax	1063.19	1173.58
Less :		
Financial Expenses	427.57	569.11
Provision for Depreciation	326.98	287.85
Taxes : Current Tax & FBT	123.00	133.20
Deferred Tax	(30.40)	847.15
Profit after Tax	216.04	(243.97)
Add:		746.19
Balance b/f from Previous Year	2054.47	427.39
<b>Profit available for appropriations</b>	<b>2270.51</b>	<b>1678.35</b>
<b>Appropriations:</b>		<b>2105.74</b>
Proposed Dividend on Preference Shares	0.22	0.22
Tax on proposed dividend	0.04	0.04
Tax adjustments of earlier years	(0.60)	1.01
Transferred to General Reserve	25.00	50.00
Surplus Carried to Balance Sheet	2245.85	2054.47
	2270.51	2105.74

### OPERATIONS

Your Directors are pleased to inform you that without taking into account the financial results of the Sponge Iron Unit in the State of Jharkhand (being hived off w.e.f. 01.03.2006), your Company has recorded a Sale/Income from operations (Gross) of Rs. 32093.86 lacs as compared to Rs. 30575.57 lacs of previous year representing an increase of about 5%. The operations of the units remaining with the Company have resulted in a lower net profit of Rs. 216.04 lacs after all adjustments as compared to Rs. 427.39 lacs which has been primarily due to lower credit of deferred tax as compared to last year. However, the cash profits of the company have improved from Rs. 471.27 lacs in the previous year to Rs. 512.62 lacs during the year ended 31.03.2008.



## 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 Dubai, Yemen, Sudan, Malawi & Lesotho.

Despite wide fluctuation in prices and stiff competition the company registered higher exports at Rs. 559.45 lacs as compared to Rs. 175.73 lacs in previous year recording a whopping jump of over 218%.

### 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 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 (the scheme) 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 has already been approved by Bombay Stock Exchange Limited, shareholders, secured and unsecured creditors of the company. Further The requisite petition under section 394 of the Companies Act, 1956 is pending in the Hon'ble Punjab & Haryana High Court at Chandigarh for approval of the Scheme of Arrangement which shall become effective on a date on which a certified copy of the orders of Hon'ble High Court sanctioning the Scheme is filed with the Registrar of Companies, Punjab, H.P. & Chandigarh at Jalandhar City.

### 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 2008-09.

### 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. M. K Jain and Mr. Rahul Jain Directors of the company retire by rotation at the forthcoming Annual General Meeting 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 their 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.



## VALLABH STEELS LIMITED

### COST AUDITORS

The Board of Directors has appointed M/s Khushwinder Kumar & Co., 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 2008-09.

### 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.

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	34	Whole Time Director	3030000/-	B.Com.	12	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

Directors' 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 KUMAR JAIN)  
CHAIRMAN

PLACE : LUDHIANA  
DATED : 30.06.2008



## 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 three years. The Indian Iron & Steel Industry witnessed increase in Exports apart from increase in domestic consumption during the year 2007-08.

###### (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 2007-08 has increased by about 5% to Rs. 32093.86 lacs from against Rs. 30575.57 lacs in the previous year. The net profit after tax is placed lower at Rs. 216.04 lacs as compared to Rs. 427.39 lacs due to lower credit of deferred tax as compared to last year. However, the cash profits of the company have improved from Rs. 471.27 lacs in the previous year to Rs. 512.62 lacs during the year ended 31.03.2008.

###### (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.
5. Any change in Govt. Policies pertaining to steel industry may affect the profitability.

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 27 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.





## VALLABH STEELS LIMITED

### (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.

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.

### (f) Risk Management :

The company is exposed to various normal business risks such as risks from market fluctuations of foreign exchange, interest rates, prices of raw materials and finished goods and natural vagaries.

Business risk evaluation and management is an ongoing process within the Company. During the year under review, a detailed exercise on "Risk Assessment and Management" was carried out covering the entire gamut of business operations and the Board was informed of the same.

### (g) Cautionary statement :

Statement in this 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 materially from those expressed or implied.

## 2. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE 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 2007-08, eleven Board meetings were held on 30.04.2007, 30.06.2007, 31.07.2007, 04.08.2007, 25.09.2007, 31.10.2007, 21.12.2007, 21.01.2008, 31.01.2008, 29.02.2008 and 31.03.2008.

### (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	
						Chair-man	Member	Chair-man	Member
1.	Mr. Kapil Kr. Jain	Director	Promoter	11	Yes	1	3	—	2
2.	Mr. Rahul Jain	Whole Time Director	Promoter	11	Yes	—	4	—	—
3.	Mr. M.K. Jain	Director	Promoter	7	No	—	1	—	—
4.	Mr. Mohan Lal	Director	Independent	4	No	—	2	—	2
5.	Mr. Jawahar Jain	Director	Independent	11	Yes	—	1	—	3
6.	Mr. Mohinder Pal Gupta	Director	Independent	4	Yes	—	1	3	—





## VALLABH STEELS LIMITED

### (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. M.K. Jain aged about 63 years is a reputed businessman and has an experience of over 37 years in trade and industry. He has been associated with the company since its inception.
2. Mr. Rahul Jain, aged about 34 years is a commerce graduate and has an experience of 12 years in Business and Industry and is the whole time Director of the company since 1st April, 1997.

### (d) Audit Committee :

The Audit Committee of the Board of Directors of the company, inter-alia, provides assurance to the Board on the adequacy of the internal control system and financial disclosures.

The Audit Committee of the company is comprised of Mr. Mohinder Pal Gupta, Mr. Mohan Lal and Mr. Jawahar Jain with Mr. Mohinder Pal Gupta as its Chairman. All these members are non-executive independent 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.

During the year 2007-08, the Audit Committee met four (4) times on 30.06.2007, 31.07.2007, 31.10.2007 and 31.01.2008. 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. Mohinder Pal Gupta, Mr. Jawahar Jain and Mr. Mohan Lal with Mr. Mohinder Pal Gupta as its Chairman. All these members are non-executive independent Directors of the Company. However, there was no business to be transacted & as such this committee did not meet during the year.

### (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 2007-08 are given below:

(Amount in Rs.)					
NAME	DESIGNATION	TENURE OF APPOINTMENT	SALARY	PERKS	TOTAL
Mr. Rahul Jain	Whole Time Director	01.04.2007 to 31.03.2010	3000000/-	30000/-	3030000/-

Non-executive independent directors have not been paid any remuneration during 2007-08.

### (5) SHAREHOLDERS GRIEVANCE COMMITTEE :

The company has constituted Shareholders Grievance Committee under the chairmanship of Mr. Mohinder Pal Gupta and other members being Mr. Kapil Kumar Jain and Mr. 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 2007-08 the committee met 16 times.

During the year 2007-08, 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 resolved and requests duly complied with in a period of about 20 days. There was no pendency in respect of complaints/ share received for transfers/demat materialisation.