



30th Annual Report  
2009-2010

**VALLABH STEELS LIMITED**



## VALLABH STEELS LIMITED

### BOARD OF DIRECTORS

Mr. Kapil Kumar Jain	Chairman & Managing Director
Mr. Rahul Jain	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)

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## VALLABH STEELS LIMITED

### NOTICE

Notice is hereby given that the 30th 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 Tuesday, the 14th September, 2010 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, 2010, Profit and Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. a) To appoint a Director in place of Mr. Mohinder 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.
3. 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.
4. To appoint M/s. RCS & Company, Company Secretaries in practice for the Secretarial Compliance Certificate for the Financial Year 2010-11.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

(KAPIL KUMAR JAIN)

DATED : 10.08.2010

CHAIRMAN & MANAGING DIRECTOR

### 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 Friday, the 10th September, 2010 to Tuesday, the 14th September, 2010 (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 (DPs).
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 : 10.08.2010

CHAIRMAN & MANAGING DIRECTOR



## VALLABH STEELS LIMITED

### DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 30th Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2010.

### FINANCIAL RESULTS

	(Rupees in Lacs)	
	Current Year	Previous year
Sale/Income from operations (Gross)	24877.69	30300.97
Profit before Interest, Depreciation and Tax	868.55	996.66
Less :		
Financial Expenses	273.32	526.61
Provision for Depreciation	262.04	276.83
Taxes : Current Tax & FBT	131.00	94.75
Deferred Tax	41.59	(13.56)
Profit after Tax	160.60	112.03
Add:		
Balance b/f from Previous Year	2309.77	2245.85
<b>Profit available for appropriations</b>	<b>2470.37</b>	<b>2357.88</b>
<b>Appropriations :</b>		
Provision for Gratuity	-	23.11
Transferred to General Reserve	25.00	25.00
Surplus Carried to Balance Sheet	2445.37	2309.77
	<b>2470.37</b>	<b>2357.88</b>

### OPERATIONS

Your Directors hereby inform you that your Company has recorded a lower Gross Sale/Income from operations of Rs. 24877.69 lacs as compared to 30300.97 lacs of previous year representing a decline of about 17.90% which is attributed to decline in sale prices of its products in line with industry trends. The operations of the units remaining with the Company (after hive off) have resulted in a net profit of Rs. 160.60 lacs after all adjustments as compared to Rs. 112.03 lacs thus registering a jump of over 43%.

### 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, Ethiopia and West Indies etc.

However, due to wide fluctuation in prices and stiff competition, the exports were lower at Rs. 1277.66 lacs as compared to Rs. 1458.12 lacs in previous year.

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

As informed in previous year's Report, the Scheme of Arrangement in respect of hiving off of Sponge Iron unit in the state of Jharkhand has been approved by Hon'ble High Court of Punjab & Haryana at Chandigarh vide its order dated 23.07.2009 as amended on 09.10.2009 and all the legal and procedural formalities have since been complied with.

### DIVIDEND

With a view to conserve resources for immediate future requirements, your directors have not recommended any dividend for the year under consideration.

#### **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 2010-11.

#### **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. Mohinder Kumar Jain and Mr. Mohan Lal, Directors of the company retire by rotation at the forth coming 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 (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. Meenu & Associates, Cost Accountants, Ludhiana 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 2010-11.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

M/S RCS & Company, the Secretarial Auditors of the Company retire at the ensuing Annual General Meeting. The reappointment of the Secretarial Auditors is to be approved by the members at the ensuing Annual General Meeting to verify the Secretarial records and to provide a compliance certificate for the financial year 2010-11. The Board recommends to reappoint M/s RCS & Company, the Secretarial Auditors and to fix their remuneration.

Further, the Secretarial Compliance Certificate for financial year 2009-10 received from M/s RCS & Company, Practicing Company Secretaries is annexed and forms part of this report as Annexure-II.



## VALLABH STEELS LIMITED

### 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-III 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 of Director	Age	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment held
Mr. Rahul Jain	36	Whole Time Director* looking after all managerial functions of the Company	10,26,800/-	B.Com.	14	01.04.1997	1st Employment

(\*) Salary paid upto 31.07.2009

Note: The above appointment is contractual and 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 five 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-IV 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 : 10.08.2010

(KAPIL KUMAR JAIN)

CHAIRMAN & MANAGING DIRECTOR

**ANNEXURE - I TO THE DIRECTORS' REPORT  
CORPORATE GOVERNANCE REPORT****I. MANAGEMENT DISCUSSION AND ANALYSIS REPORT****I. 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 Indian Steel Industry has witnessed divergent trends in the financial year 2009-10. In the first quarter the prices of steel were better as compared to prices prevailing in the last quarter of financial year 2008-09. However, subsequently the prices stabilized or declined which even affected the demand adversely.

During the later part of year, however, the demand started picking up but without any significant rise in prices due to various factors which included timely announcement of monetary and fiscal stimulus measures by Govt. of India in the shape of removal of export duty, increase of excise duty and increase in export duty on iron ore; increase in local consumption in rural and semi urban areas which were unaffected by global slowdown; and reduction in inventory at producer, user and dealer levels.

**(b) Company's Performance :**

Sale/Income from operations (Gross) of the Company during the year 2009-10 has declined by about 17.90% to Rs. 24877.69 lacs from Rs. 30300.97 lacs in the previous year due to decline in prices of its products. The net profit after tax is Rs. 160.60 lacs as compared to Rs. 112.03 lacs in the previous year, thus registering a jump of over 43%.

**(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 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. Well established customers base for the last over 29 years.
3. 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.



## VALLABH STEELS LIMITED

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4. 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
5. 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.

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 the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions, may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ 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 2009-10, nine Board meetings were held on 08.06.2009, 30.06.2009, 31.07.2009, 31.08.2009, 29.09.2009, 12.10.2009, 31.10.2009, 30.01.2010 and 31.03.2010.



**(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 Kumar Jain	Chairman & Managing Director	Promoter	9	Yes	3	1	-	2
2.	Mr. Rahul Jain	Director	Promoter	9	No	-	4	-	-
3.	Mr. Mohinder Kumar Jain	Director	Promoter	8	Yes	-	1	-	-
4.	Mr. Mohan Lal	Director	Independent	5	No	-	2	-	2
5.	Mr. Jawahar Jain	Director	Independent	9	Yes	-	1	-	3
6.	Mr. Mohinder Pal Gupta	Director	Independent	6	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. Mohinder Kumar Jain aged about 65 years is a reputed businessman and has an experience of over 39 years in trade and industry. He has been associated with the company since its inception.
2. Mr. Mohan Lal, aged about 87 years is Law Graduate and has an experience of over 58 years as a Practising Advocate and has been a director of the Company since 01.06.1992.

**(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 2009-10, the Audit Committee met five (5) times on 30.06.2009, 31.07.2009, 31.08.2009, 31.10.2009 and 30.01.2010. 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. The Remuneration Committee met once on 31.08.2009 to recommend the remuneration payable to Mr. Kapil Kumar Jain. All the three members were present at the said meeting.



## VALLABH STEELS LIMITED

### (4) DIRECTORS' REMUNERATION :

The company has paid remuneration to the Chairman & Managing Director and Whole Time Director as approved by the members of the company in the general body meeting. The details of remuneration paid to the Managing/Whole Time Director during the year 2009-10 are given below:

(Amount in Rs.)

NAME	DESIGNATION	TENURE OF APPOINTMENT	SALARY	PERKS	TOTAL
Mr. Kapil Jain	Chairman & MD*	01.08.2009 to 27.08.2011	800000/-	365031/-	1165031/-
Mr. Rahul Jain	Whole Time Director**	01.04.2007 to 31.07.2009	1000000/-	26800/-	1026800/-

(\*) w.e.f 1st August, 2009

(\*\*) w.e.f 1st April, 2009 to 31st July, 2009

Non-executive independent directors have not been paid any remuneration during 2009-10.

### (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 2009-10 the committee met 7 times.

During the year 2009-10, 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 within a period of about 20 days. There was no pendency in respect of complaints/share received for transfers/demat materialisation.

### (6) (a) GENERAL BODY MEETINGS :

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

MEETING	DAY, DATE & TIME OF MEETING	VENUE	NO. OF SPECIAL RESOLUTIONS
29th AGM	Thursday, 29.09.2009, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	1
28th AGM	Saturday, 09.08.2008, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	Nil
27th AGM	Saturday, 04.08.2007, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	1

### (b) EXTRA ORDINARY GENERAL MEETING :

During the year under review no Extra Ordinary General Meeting was held.

### (c) RESOLUTION PASSED DURING THE FINANCIAL YEAR 2009-10 THROUGH POSTAL BALLOT :

No resolution was passed by Postal Ballot during the financial year 2009-10

### (7) CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management Personnel. The said code has been communicated to the directors and members of the Senior Management.

### (8) DISCLOSURES :

During the period under review, there was no material significant transaction with the promoters, directors, management and 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 31.03.2010.