



33rd Annual Report  
2012-2013

**VALLABH STEELS LIMITED**



## VALLABH STEELS LIMITED

### BOARD OF DIRECTORS

Mr. Kapil Kumar Jain	Chairman & Managing Director
Mr. Rahul Jain	Director
Mr. Mohinder Kumar Jain	Director
Mr. Mohan Lal	Director
Mr. Mohinder Pal Gupta	Director
Mr. Jawahar Jain	Director

### AUDITORS

M/s Raj Gupta & Co.  
Chartered Accountants  
549/10, Sutlej Tower, Opp. Petrol Pump,  
Near Fountain Chowk, Ludhiana - 141 001

### BANKERS

Punjab National Bank  
Large Corporate Branch  
Bhagwati Tower, R.K. Road,  
Ludhiana-141 003.

State Bank of India  
Industrial Finance Branch  
Golden Tower, Dholewal, G.T. Road,  
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) |
|-------------------------------------------------------------|-----------------------------------------------------------------|

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## VALLABH STEELS LIMITED

### NOTICE

Notice is hereby given that the 33rd 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 Wednesday, the 18th September, 2013 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, 2013, Statement of Profit and Loss 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. Jawahar Jain 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 2013-14.

By order of the Board of Directors

Sd/-

(KAPIL KUMAR JAIN)

CHAIRMAN & MANAGING DIRECTOR

PLACE : LUDHIANA

DATED : 14.08.2013

#### 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 13th September, 2013 to Wednesday, the 18th September, 2013 (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).
7. The Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively, taken a 'Green Initiative in Corporate Governance', by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other Notice/Documents, henceforth in electronic form in lieu of the paper form.

We strongly urge you to support your Company's concern for this 'Green Initiative' by opting for electronic mode of communication. You are requested to please register your e-mail ID with your Depository Participant (DP), if you hold the Company's shares in electronic form, under intimation to the Registrar & Share Transfer Agents through your registered e-mail ID. However, if you hold the shares in physical form then you may register your e-mail ID with Registrar & Share Transfer Agents of the Company by sending a letter under your Registered Signature at the below mentioned address:

#### Mas Services Limited

T-34, 2nd Floor, Okhla Industrial Area, Phase- II, New Delhi- 110020

Phone: 011-26387281-83, Fax : 011- 26387384, E-mail: mas\_serv@yahoo.com

By order of the Board of Directors

Sd/-

(KAPIL KUMAR JAIN)

CHAIRMAN & MANAGING DIRECTOR

PLACE : LUDHIANA

DATED : 14.08.2013



## VALLABH STEELS LIMITED

### DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 33rd Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2013:

### FINANCIAL RESULTS

	(₹ in Lacs)	
	Current Year	Previous year
Revenue from Operations and Other Income	20129.48	22294.24
Profit before Interest, Depreciation and Tax	902.80	1079.63
Less :		
Financial Costs	690.28	606.18
Provision for Depreciation	136.15	145.85
Taxes : Current Tax	12.19	64.00
Deferred Tax/Earlier year tax adjustment	(78.99)	102.64
<b>Profit after Tax</b>	<b>143.17</b>	<b>160.96</b>
Add:		
Balance b/f from Previous Year	2637.37	2476.41
<b>Profit available for appropriations</b>	<b>2780.54</b>	<b>2637.37</b>
<b>Appropriations</b>		
Transferred to General Reserve	25.00	25.00
Surplus Carried to Balance Sheet	2755.54	2612.37
	<b>2780.54</b>	<b>2637.37</b>

### OPERATIONS

During the year under review the Company has recorded a lower Income from operations which is placed at ₹20129.48 lacs as compared to ₹22294.24 lacs of previous year thus representing a decline of about 9.71% which is attributed to lower production resulting in lower sales and profitability. As a result the net profit after taxes has declined from ₹160.96 lacs to ₹143.17 lacs recording a fall of about 11.05 %. Your management is seized of the matter and making all out efforts to improve the performance of the Company by optimum utilisation of resources.

### EXPORTS

We are pleased to inform you that during the year under review, the Company continued to export its products to African Countries.

However due to prevailing general recessionary conditions world wide, the exports were lower at ₹871.07 lacs as compared to ₹2268.39 lacs in the previous year.

### DIVIDEND

With a view to conserve resources for company's immediate requirements, your directors do not recommend any dividend for the year under consideration.

#### **LISTING OF SHARES**

The Equity Shares of the Company are listed at BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The company has duly paid the listing fee to BSE Limited, Mumbai upto the Financial Year 2013-14.

#### **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 there under.

#### **DIRECTORS**

Mr. Mohinder Kumar Jain and Mr. Jawahar Jain, Directors of the company retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

#### **CORPORATE GOVERNANCE**

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. 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.

#### **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.

#### **AUDIT COMMITTEE**

Presently the constituent members of the Audit Committee are Mr. Mohinder Pal Gupta, Mr. Mohan Lal and Mr. Jawahar Jain. Mr. Mohinder Pal Gupta is 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.

#### **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 all the Units of the Company for the financial year 2013-14.

The Cost Audit Report for the financial year 2012-13 will be filed with the Central Government as per provisions of the Companies Act, 1956.

#### **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



## **VALLABH STEELS LIMITED**

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General Meeting to verify the Secretarial records and to provide a compliance certificate for the financial year 2013-14. 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 2012-13 received from M/s RCS & Company, Practicing Company Secretaries is annexed and forms part of this report as Annexure-II.

### **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 as amended :

None of the employees of the Company is in receipt of remuneration in excess of ₹60.00 lacs per annum or ₹5.00 lacs per month during the year under review and as such the information under this head is NIL.

### **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, 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 : 14.08.2013**

**(KAPIL KUMAR JAIN)**

**CHAIRMAN & MANAGING DIRECTOR**

**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 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 various segments in the financial year 2012-13. During the year, the Industry in general and Iron and Steel Industry in particular has been adversely affected by the increase in input costs which has increased the cost of production per unit. As a consequence the Company's performance in terms of production, turnover and profitability has been adversely affected.

The management of the Company is further making all out efforts to improve the working of the Company in future.

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

The revenue from operations of the Company has declined by about 9.71% to ₹20129.48 lacs as compared to ₹22294.24 lacs in the previous year. The net profit after taxes is placed at ₹143.17 lacs as compared to ₹160.96 lacs in 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 :**

Though the Iron & Steel industry as a whole continues to witness erratic trends; the diversified product mix and cost control measures are expected to maintain the turnover and profitability of the company in current year. The growth of steel industry also depends upon Government's spending in various sectors of the economy such as infrastructure and construction etc.

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. Unpredictable and sharp cyclical movements in the raw material and other input prices.
4. 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. It is expected that better trends will emerge and may improve also 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 notwithstanding minor declines. As such current conditions may pave a way for improved performance in future.



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2. Well established customers base for the last over 32 years.
3. 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.
4. Your Company has strategic advantage as its units are located in the industry friendly areas 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 who submit periodical reports for the management to take corrective action required, if any.

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 2012-13, ten Board meetings were held on 30.04.2012, 15.05.2012, 31.05.2012, 21.06.2012, 14.08.2012, 03.09.2012, 12.11.2012, 16.01.2013, 14.02.2013 and 07.03.2013.

#### (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	10	Yes	3	1	--	2
2.	Mr. Rahul Jain	Director	Promoter	10	Yes	--	4	--	--
3.	Mr. Mohinder Kumar Jain	Director	Promoter	9	No	--	1	--	--
4.	Mr. Mohan Lal	Director	Independent	6	No	--	3	--	2
5.	Mr. Jawahar Jain	Director	Independent	10	Yes	--	1	--	3
6.	Mr. Mohinder Pal Gupta	Director	Independent	7	Yes	--	1	3	--

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

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

1. Mr. Mohinder Kumar Jain aged about 68 years is a reputed business man and has an experience of over 42 years in trade and industry. He has been associated with the company since its inception. He is also a director on the Boards of L C Oswal Hosiery Private Limited and Adhinath Investments Private Limited.
2. Mr. Jawahar Jain aged about 63 years is a seasoned business man having experience in general administration and purchase related activities and has been a director on the Board since 31.03.2003. He is not holding directorship in any other company.

#### (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.



## VALLABH STEELS LIMITED

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 read with Section 292A of the Companies Act, 1956.

During the year 2012-13, the Audit Committee met five (5) times on 15.05.2012, 14.08.2012, 03.09.2012, 12.11.2012 and 14.02.2013. 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. No meeting of Remuneration Committee was held during the financial year 2012-13.

**(4) DIRECTORS' REMUNERATION :**

The company has paid remuneration to the Chairman & Managing Director as approved by the members of the company in the general body meeting. The details of remuneration paid to the Managing Director during the year 2012-13 are given below:

(Amount in ₹)

NAME	DESIGNATION	SALARY	PERKS	TOTAL
Mr. Kapil Kumar Jain	Chairman & Managing Director	27,00,000/-	7,42,555/-	34,42,555/-

The above appointment is on contractual basis.

Non-executive independent directors have not been paid any remuneration during 2012-13.

**(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 as well as for transfer etc. of shares. During the year 2012-13 the committee met 5 times.

During the year 2012-13, 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, within a period of about 15 days from the date(s) of receipt thereof. There was no pendency in respect of complaints/share received for transfers/dematerialisation.