



REMI METALS GUJARAT LIMITED

**Twenty-Third Annual Report
2004-2005**

BOARD OF DIRECTORS

Mr. Kumarpal M. Doshi

Mr. Eugene D. Derry

Mr. Vishwambhar C. Saraf

Mr. Rajendra C. Saraf

Dr. N. S. Datar

Mr. V. Sahasranama Iyer

Mr. Shashank Chaturvedi

Mr. L. S. Kshatriya

Mr. Dipak R. Shah

Mr. Ashok B. Shah

Mr. G.C. Garg

Mr. Shankar Lal Jain

Mr. K.P. Nair

Mr. P.P. Vaidya

REGISTERED OFFICE

GIDC Industrial Estate,

Valia Road, Jhagadia,

Dist. Bharuch, Gujarat.

CORPORATE OFFICE

11, Cama Industrial Estate,

Goregaon (East),

Mumbai – 400 063.

Chairman & Whole-Time Director

Managing Director

Executive Director

Technical Director

Nominee of GILC

Nominee of GILC

Alternate to Mr. Kumarpal M. Doshi

Alternate to Shri Eugene D. Derry

Nominee of IDBI

Nominee of IFCI

AUDITORS

M/s Chaturvedi & Shah,

A-3, Laxmi Towers,

Bandra – Kurla Complex,

Bandra (East), Mumbai – 400 051

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Saurashtra

State Bank of Travancore

Allahabad Bank

Bank of India

The Federal Bank Ltd.

The Bank of Rajasthan Ltd.

Union Bank of India

Vijaya Bank

Remi Metals Gujarat Limited

NOTICE

To
The Members

Remi Metals Gujarat Limited

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the Company will be held at its Registered Office, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch, Gujarat State on **Thursday, the 29th September, 2005**, at 12.15 P.M. to transact the following business:

1. To adopt the Balance Sheet as at, 31st March, 2005, and the Profit and Loss Account for the year ended on that date.
2. To re-appoint as Director Shri V.C. Saraf, who retires by rotation.
3. To re-appoint as Director Shri D.R. Shah, who retires by rotation.
4. To re-appoint as Director Shri A.B. Shah, who retires by rotation.
5. To appoint Auditors and to fix their remuneration.
6. To pass the following special resolutions: -
 - a. "Resolved that, pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to allot, at any future date, equity shares of the Company at a price to be fixed at the time of the allotment thereof in order to comply with the order of

Board for Industrial and Financial Reconstruction (BIFR) or any other authority, without offering any such shares to any of the existing members of the Company.

"Further Resolved that the number of equity shares to be so allotted and the price per share shall be in terms of the order."

- b. Resolved that the Authorised Share Capital of the Company be and is hereby increased from the existing Rs.100 Crores (Rupees One Hundred Crores only) to Rs.120 Crores (Rupees One Hundred Twenty Crores only).

"Further Resolved that the 1,00,00,000 unclassified shares of Rs.10/- (Rupees Ten only) each comprised in the Authorised Capital be converted into equity shares of Rs.6/- (Rupees Six only) each.

"Further Resolved that thereafter the Authorised Capital shall comprise of 20,00,00,000 (Twenty Crores) Equity Shares of Rs.6/- (Rupees Six only) each.

"Further Resolved that the Clause V in the Company's Memorandum of Association and Article No.3 of its Articles of Association shall stand altered accordingly."

By Order of the Board

Place : Mumbai
Date : 25th August. 2005

V. S. Iyer
Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING WILL BE ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 23rd September, 2005 to Friday, the 30th September, 2005, both days inclusive.
3. An Explanatory Statement in respect of the special business set out at Item No.6 of the Notice is hereto annexed.

By Order of the Board

Place : Mumbai
Date : 25th August, 2005

V. S. Iyer
Director

Explanatory Statement – Pursuant to Section 173 of the Companies Act, 1956 – Annexure to the Notice.

The Company will be required at any time to allot shares of the Company to the term lenders and others at any future date.

The Shares will be allotted only on the basis of orders which may be made in this behalf by the competent authorities at the price specified in such orders. Hence, the number of shares or the price thereof and the persons who will become entitled thereto cannot be ascertained now and so, cannot be made known.

This authority will, therefore, enable the Board to comply with the requirements of such order.

To enable to make any such allotment of shares, the authorised share capital is being increased suitably.

Your Directors commend the resolution for your approval.

23rd Annual Report 2004-05

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 23rd Annual Report together with Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31-03-2005	Year Ended 31-03-2004
Sales & Other Income	18,779	3,295
Profit/(Loss) before interest and depreciation	409	(1,053)
Interest and Financial Charges	4,706	3,781
Depreciation and Write-off	1,751	1,810
Interest waived as per Rehabilitation Scheme	-	94
Profit/ (Loss)	(6,048)	(6,550)
Prior year adjustment	(5)	(4,733)
Reduction in Capital	-	3,570
Balance brought forward from previous year	(35,526)	(27,813)
Balance carried to Balance Sheet	(41,579)	(35,526)

Operations:

The Steel Sector has seen the steady improvement in demand. The Company managed to improve its operations and achieved gross income of Rs.18,779 lacs as against Rs. 3295 lacs in the previous year. The PBDIT for the year is Rs. 409 lacs as against PBDIT of previous year loss of Rs 1,053 lacs.

However, Company's operations were restricted due to insufficient working capital. The Company has projected gross income of Rs.25,500 lacs as against which achieved Rs.18,779 lacs. These projections were made with the assumption that additional working capital will be made available from October 2004. The Company is now hopeful of obtaining sanction of working capital by September 2005.

Your Company's operations are streamlined and also received International Accreditations for ISO 9002, American Petroleum Institute (API), and IBR etc. Further, the Company has also received product approval from TELCO, Mahindra & Mahindra, Ashok Leyland, RDSO etc.

Allotment of Equity Shares:

During the year, pursuant to the order of the Board for Industrial & Financial Reconstruction (BIFR) dated 18th October 2002, the Company has allotted 3,67,75,000 Equity Shares of Rs 6/- each fully paid on preferential basis to some of the promoters of the Company against the share application money received in cash in earlier years.

Debt Restructuring

The Company had filed an application for restructuring with the Corporate Debt Restructuring Cell (Empowered group)

CDR (EG) in July 2004. The restructuring has been approved by CDR (EG) in December 2004 subject to financial tie- up with respect to working capital achieved. The effect of restructuring will be given after tying up of working capital, which is expected to be achieved shortly. The impact of restructuring will substantially lower the accumulated losses and reduce debts and financial costs.

Outlook

The prospect of the Company for future looks bright considering the continued increase in demand of global/domestic market and reduced financial burden with respect to financial cost and reduction of debt.

AUDITORS' OBSERVATIONS

1. Clause 3 (f) of Auditors' Report:

This note is self-explanatory and does not require any further clarification.

2. Point No. xi of annexure to paragraph 2 of Auditors' Report

The Company's restructuring package is approved by CDR (EG) subject to tie up of additional working Capital Requirement of the Company. However as per the restructuring scheme approved this will not appear to be a default of repayment of principal and interest on term loan to the financial institutions/Banks and interest on cash credit to banks.

PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Sub Section (1)(e):

- A. Conservation of Energy - All efforts are being made to conserve energy.
- B. Technology Absorption - Not applicable
- C. Foreign Exchange Earnings and outgo:

Outgo	Rs. 2745 lacs
Earnings	Rs. Nil

Sub-Section (2A)

No employee of the company is paid remuneration of Rs. 24 lacs in a year.

Sub-Section (2AA):

Your Directors state:

- i. that in the preparation of the annual accounts, all the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in

Remi Metals Gujarat Limited

accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT:

The Directors wish to thank the Government of Gujarat, Banks and Financial Institutions for their valuable cooperation and support to the Company. They also thank all its shareholders,

clients and investors for their support during the year and look forward to their continued support in the years to come.

They also take this opportunity to express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the operations of the Company during the year.

For and on behalf of the Board of Directors

Place : Mumbai

V.C. Saraf

Date : 25th August, 2005

Chairman

MANAGEMENT DISCUSSION & ANALYSIS

A) BUSINESS OVERVIEW:

The year under review ended with a very good performance by the Company having achieved a turn over of Rs.18,662 lacs as compared to Rs.3,224 lacs for the previous year working for 4 months.

With the stabilization of production facilities and on disbursement of enhanced working capital, your Company is poised for a commendable growth in terms of turn over as well as production in the coming year which will improve the financials of the Company.

B) INDUSTRY STRUCTURE, DEVELOPMENT AND OUTLOOK:

The Company is mainly dealing with Special Alloy Steel & Seamless Tubes, which normally goes to Automobile, Earthmoving, Oil Exploration, Transportation of Oil & Gas and Chemical etc. In the recent time, it has witnessed good growth in their demand globally. The export of forging & casting made out of special alloy steel is also increased because of environmental constraints overseas. The Company has achieved good growth during 2004-05 and expect further in the coming years.

C) OPPORTUNITIES, THREATS AND FUTURE OUTLOOK:

The company's products being used in segments like oil, petroleum, forging, automobiles, construction and transportation registered a good growth rate during the fiscal 2004-2005. The projection for these segments for the current fiscal is also encouraging. With the growing potential for the company's products by these industrial sectors, it creates ground for optimism in the outlook for the Steel and Pipe Industry.

However, cyclical price movement is a major area of concern for the industry. The fortune of the industry swings in tandem with the trend of market prices. With the increased integration of the domestic and global markets, the price movement tends to become more and more unpredictable.

The company is taking steps to mitigate these types of pressures and aiming towards a sound financial pricing by having optimum

utilization of resources which will result in improvement in future performance.

D) INTERNAL CONTROL SYSTEM & THEIR ADEQUACY:

The Company has a proper and adequate system of internal control procedures, commensurate with its size and nature of business to provide reasonable assurance that all assets and resources are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

E) INDUSTRIAL RELATIONS & HUMAN RESOURCES :

The Company is as good as its people and the Company is privileged to have an excellent pool of human resources working with it. Communication exercises are treated as continuous process to keep the employees informed of the challenges being faced by the Company and also motivate them to take up higher responsibilities, in tune with the requirements of the Company. Employees relations continued to be quite satisfactory throughout the year.

F) CAUTIONARY STATEMENT:

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or productions may be "forward looking statements" within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw-materials cost and availability, changes in Government regulations, tax regimes, economic developments within or outside India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revive any forward looking statements on the basis of any subsequent developments, information or events.