



REMI METALS GUJARAT LIMITED
Twenty-Forth Annual Report
2005-2006

BOARD OF DIRECTORS

Mr. Kumarpal M. Doshi

Mr. Eugene D. Derry

Mr. Vishwambhar C. Saraf

Chairman & Whole-Time Director

Mr. Rajendra C. Saraf

Managing Director

Dr. N. S. Datar

Mr. V. Sahasranama Iyer

Mr. Shashank Chaturvedi

Executive Director

Mr. L. S. Kshatriya

Technical Director

Mr. Dipak R. Shah

Nominee of GIIC

Mr. Ashok B. Shah

Nominee of GIIC

Mr. G. C. Garg

Alternate to Mr. Kumarpal M. Doshi

Mr. Shankar Lal Jain

Alternate to Shri Eugene D. Derry

Mr. K. P. Nair

Nominee of IDBI

Mr. P. P. Vaidya

Nominee of IFCI

REGISTERED OFFICE

GIDC Industrial Estate,

Valia Road, Jhagadia,

Dist. Bharuch, Gujarat.

AUDITORS

M/s Chaturvedi & Shah,

A-3, Laxmi Towers,

Bandra – Kurla Complex,

Bandra (East), Mumbai – 400 051

CORPORATE OFFICE

11, Cama Industrial Estate,

Goregaon (East),

Mumbai – 400 063.

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-Forth 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 **24th August, 2006**, at 12.15 P.M. to transact the following business:

1. To adopt the Balance Sheet as at, **31st March, 2006**, and the Profit and Loss Account for the year ended on that date.
2. To re-appoint as Director Shri R. C. Saraf, who retires by rotation.
3. To re-appoint as Director Shri V. S. Iyer, who retires by rotation.
4. To re-appoint as Director Dr. N. S. Datar, who retires by rotation.
5. To appoint Auditors and to fix their remuneration.


 By Order of the Board

Date: 28th June, 2006

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 18th August, 2006 to Friday, the 25th August, 2006, both days inclusive.

24th Annual Report 2005-06

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 24th Annual Report together with Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	Year Ended 31-03-2006	Year Ended 31-03-2005
Sales & Other Income	19,075	18,779
Profit / (Loss) before interest and depreciation	380	409
Interest and Financial Charges	2,350	4,706
Depreciation and Write-off	1,548	1,751
Profit / (Loss) before Tax	(3,518)	(6,048)
Fringe benefit Tax	(10)	-
Profit / (Loss) after Tax	(3,528)	(6,048)
Interest waived as per Rehabilitation Scheme	14,762	-
Prior year adjustment	(17)	(5)
Profit / (Loss)	11,217	(6053)
Balance brought forward from previous year	(41,579)	(35,526)
Balance carried to Balance Sheet	(30,362)	(41,579)

Operations:

Performance of Alloy Steel and Seamless Tubes of the company was as under :

	2005-2006		2004-2005	
Particulars	Production (Tonnes)	Net Sales (Rs. Lacs)	Production (Tonnes)	Net Sales (Rs. Lacs)
Steel	47,535	16,359	47,672	16,575
Tube	4,918	2,367	3,539	1,889

The production for the current year is eleven-month operation due to closure of production during the month of January, 06.

Company's all furnaces were based on furnace oil, the price of which increased from Rs.9 to Rs.19 in last one year . Due to this the management has decided to convert all furnaces into gas, the same has been completed in January, 06. Further the company has taken steps for diversification in its present product mix and added new products during September,2005 namely tool and die steel.

Outlook

The future strategy of the company are as follows :-

- i) to increase both steel and tube production to cater to increasing demand .

- ii) to continue to shift the product mix in favour of higher value added products both in steel as well as in tubes
- iii) to give a renewed impetus to product development so that the Company is better able to anticipate customer requirements.
- iv) to increase the geographical spread of the market and to reduce production costs through ongoing initiatives.

Debt Restructuring

The Restructuring process was agreed by Corporate Debt Restructuring Cell (Empowered group) CDR (EG) on December, 2004. On receipt of all sanctions the effect of the same has been given which is amounting to Rs.14,762 Lacs.

AUDITORS' OBSERVATIONS

1. Clause 3 (f) and point no xi of Auditors Report :

The company's debt restructuring was approved by CDR – EG on the assumption that additional working capital will be made available from September, 2004. However the same has been released in November, 2005 i.e, after delay of 14 months. Therefore the company could not operate as envisaged, because of this reason only the default occurred. The Company has taken up necessary steps with CDR-EG to address the same.

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. 4,189 lacs
Earnings	Rs. 97 lacs

Sub-Section (2A):

No employee of the Company is paid remuneration of Rs.24 Lacs.

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;

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- iii that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in 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 & Financial Institutions for their valuable cooperation and support

to the Company. They also thank all the 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
Date : 28th June, 2006

V. C. Saraf
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

A) BUSINESS OVERVIEW

The Company is a integrated plant for manufacture of Alloy Steel and Seamless Tubes. The basic raw material are scrap, pig iron, ferro alloy from which alloy steel is produced through EAF, ladle refining and vacume degassing route. The company is also having VOD process to produce stainless steel. Seamless Tube is produced through vertical extrusion process and subsequently stretch reducing mill. Presently the company is mainly marketing for alloy steel which will gradually be used for captive consumption for seamless tubes with its market development .

B) INDUSTRY STRUCTURE, DEVELOPMENT

The company for its alloy steel is dealing with forging industries for the automobile component, supplying to Tata Motors, Mahindra and Mahindra, Ashok Leyland, Automotive Axle etc. and for exporters of automobile components. Seamless tubes are engineering products that find high-end applications in a variety of industries i.e Automobile, Oil & Gas, Energy, Bearing, Mining and General Engineering. Precision seamless tubes are distinct from commoditized seamless tubes that are extensively used in oil exploration and the transportation of fluids. The industry is characterised by long lead times for product approval and by a correspondingly high degree of customer loyalty.

C) OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

In the recent past automobiles and auto parts sector has witnessed a good growth domestic as well global. Oil and gas sector is heading for robust growth in domestic as well as international market, which will result in substantial growth of the company in the coming years. With more focus being given to Oil and Gas sector by the Government of India, the demand from this sector is likely to boost further. The strong growth

expected in Infrastructure and other allied sectors would also push up and provide substantial boost to Seamless Pipes industry.

The company has recently received additional working capital which was desirable for increase in production and sales. The company has started taking the steps to increase the production of Steel and Tubes.

Competition from international players may pose some pricing pressures for the company's products. Reduction in import duty on pipes and tubes may also effect margins for the company. Also there is a threat of dumping by Chinese players as well as domestic producers through cheaper route i.e, blast furnace. Our company's focus is on quality as well as value added segment of the market to overcome this threat effectively.

D) INTERNAL CONTROL SYSTEM

The Company has adequate internal control system, policies for effective monitoring of its entire operations.

E) INDUSTRIAL RELATIONS & HUMAN RESOURCES

The Company has brought the policy of continuous on the job training, to improve the skill and knowledge of human resource, which is very essential for highly precision engineering product manufacturer. The company also recognizes the importance of cordial industrial relations, which in turn meets its business growth.

F) CAUTIONARY STATEMENT

The actual performance in the coming years could differ from what is expressed or implied. The factors which could affect the company's performance are the economic and other factors such as demand – supply balance in the domestic as well as international markets, changes in governmental regulations, tax laws and other statutes.