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REMI METALS GUJARAT LIMITED

**Twenty-Fifth Annual Report
2006-2007**

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 GIIC

Nominee of GIIC

Alternate to Mr. Kumarpal M. Doshi

Alternate to Shri Eugene D. Derry

Nominee of IDBI

Nominee of IFCI

AUDITORS

M/s Chaturvedi & Shah,
714-715, Tulsiani Chambers,
Nariman Point,
Mumbai – 400 021

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-Fifth Annual General Meeting of the Company will be held at its Registered Office, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch, Gujarat State on **Wednesday, the 19th September, 2007**, at 12.15 P.M. to transact the following business:

1. To adopt the Balance Sheet as at **31st March, 2007**, and the Profit and Loss Account for the year ended on that date.
2. To re-appoint as Director Shri Shashank Chaturvedi, who retires by rotation.
3. To re-appoint as Director Shri L.S. Kshatriya, who retires by rotation.
4. To re-appoint as Director Shri Kumarpal M. Doshi, who retires by rotation.
5. To appoint Auditors and to fix their remuneration.

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By Order of the Board

Date: 30th June, 2007

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 Wednesday, the 12th September, 2007 to Wednesday, the 19th September, 2007, both days inclusive.

25th Annual Report 2006-07

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 25th Annual Report together with Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	Year Ended 31-03-2007	Year Ended 31-03-2006
Sales & Other Income	20,533	19,075
Profit / (Loss) before interest and depreciation	(253)	380
Interest and Financial Charges	2,311	2,350
Depreciation and Write-off	1372	1,548
Profit / (Loss) before Tax	(3,936)	(3,518)
Fringe benefit Tax	(6)	(10)
Profit / (Loss) after Tax	(3,942)	(3,528)
Interest waived as per Rehabilitation Scheme	-	14,762
Prior year adjustment	(15)	(17)
Profit / (Loss)	(3,957)	11,217
Balance brought forward from previous year	(30,362)	(41,579)
Balance carried to Balance Sheet	(34,319)	(30,362)

Operations:

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

	2006-2007		2005-2006	
Particulars	Production (Tonnes)	Net Sales (Rs. Lacs)	Production (Tonnes)	Net Sales (Rs. Lacs)
Steel	43,859	17,030	47,535	16,359
Tube	7,436	3,072	4,918	2,367

The operations of Your Company has improved substantially as the above production figures do not reflect the full year operation. The above figures indicate the operation period for 236 days only and does not reflect the working of full year due to major shut down of 129 days due to break down of the Furnace Transformer which produces the feed stock for the entire Plant. This Furnace Transformer break down resulted in total shut down of the complete Plant. However, inspite of the closure of 129 days, the Company has registered a growth of 6% as compared to last year. However, if we consider the similar level of operation for the entire year the growth would have exceeded 75%. The Company has also taken adequate precautions to ensure that such incident will not occur again and as an abundant precautions have made arrangement for standby spare Furnace Transformer.

Barring this unfortunate incident, the Company's operations have improved with respect to productivity, energy conservation and level of inventory. The market development of its products for supply to Boiler Industry, Bearing Industry, Defence supplies are now in place which will enable the Company to exploit its full potential in the coming year.

Outlook

The future strategy of the company are as follows :-

- to increase both alloy steel and tube production.
- to start catering to higher value added products in the Bearing, Defence and Boiler sector.
- to get further approvals from engineering and other sectors as well as global approach to enrich product mix.
- to reduce energy cost and other input cost with the increased level of production.

Debt Restructuring

The Company has again taken steps to restructure the term loan debts of the company. The Company is negotiating the same with the secured creditors of the company and an accepted proposal will emerge in due course, the same will be intimated to the members.

AUDITORS' OBSERVATIONS

Clause 3(f) of auditors report and point no 11 of annexure to auditor's report :

The Company has submitted its Financial restructuring to Bank and Financial institution. Your Company is hopeful of getting favourable consideration for the same.

PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:

Sub Section (1)(e):

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

Outgo	: Rs. 1,892 lacs
Earnings	: Rs. 292 lacs

Sub-Section (2A):

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

Sub-Section (2AA):

Your Directors state:

- that in the preparation of the annual accounts, all the applicable accounting standards had been followed along with proper explanations relating to material departures;

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- 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 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 Board takes this opportunity to express its sincere appreciation for the excellent support and co-operation received from the company's customers, suppliers, bankers, Government of Gujarat and the share holders for their consistent support to the company. The directors also sincerely acknowledge the significant contributions made by all employees for their dedicated services to the company.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30th June, 2007

V. C. Saraf
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

A) INDUSTRY STRUCTURE, DEVELOPMENT

The Alloy Steel Industry is broadly classified into 3 categories i.e

- i) Blast Furnace Route
- ii) Induction Furnace Route
- iii) Electric Arc Furnace Route

They are constant of manufacturing quality range in the blast furnace and they cater to carbon steel and low alloy steels. Induction furnace are smaller units with constraints of heat size, quality consistency etc. Electric Arc Furnace is established for manufacture of high grade alloy steel and units using EAF route are centered mostly in Maharashtra, Gujarat, Punjab, West Bengal. They cater to the quality conscious bulk requirement of both indigenous and overseas users.

B) OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The Alloy Steel and Seamless Steel Tube product demand is moving at a higher growth rate than the country's GDP growth especially in the Energy, Oil, Gas, Power, Automobile, Engineering and other Sectors. In addition to this, India has become a competitive and a quality conscious source for Engineering components to the international engineering industries.

The future outlook of Alloy Steel/Seamless Steel Tubular products looks promising considering the growth in the user segment and the general demand due to upgradation of the Plant infrastructure.

The increased demand is resulting in adding up additional capacities. This will not only increase raw material cost but also increase the steel prices. Therefore, there is an urgent need to reduce cost of production by way of achieving optimum capacity, improved productivity, better yields, energy conservation and developing specialty grade of steel.

C) INTERNAL CONTROL SYSTEM

The Company employs adequate and effective system of internal control systems that provide for :-

- i) security of the asset
- ii) efficient management information system
- iii) compliance with all laws and regulations
- iv) compliance with all standard system and quality standards.

D) INDUSTRIAL RELATIONS & HUMAN RESOURCES

Human resource is the key factor for the success of any organization. Your company places considerable emphasis on continuous enhancement of skills and performance of human resources across the organisation.

E) CAUTIONARY STATEMENT

Company's performance as expressed or implied could differ materially due to economic conditions affecting demand / supply and price condition in the domestic & overseas markets, changes in the Government regulations, tax laws & other incidental factors.