

Remi Metals Gujarat Limited

28th Annual Report
2009-2010

BOARD OF DIRECTORS	Shri Atul Desai	–	Chairman
	Shri B K Goenka		
	Shri Murarilal Mittal		
	Shri Vijay Singh Bapna		
	Shri Rajendra C Saraf		
	Shri Rishabh Saraf		
	Shri Nirmal Gangwal		
	Shri Ramgopal Sharma		

AUDITORS M/s. Chaturvedi & Shah.,
Nariman Point,
Mumbai – 400 021

LISTING OF SHARES The Bombay Stock
Exchange Ltd, Mumbai
Phiroze Jeejeebhoy Tower,
Dalal Street, Mumbai 400 001.

CONTENTS	PAGE NO.
Notice	2
Directors' Report	4
Management Discussion & Analysis Report.....	5
Corporate Governance Report	8
Auditors' Report	13
Balance Sheet.....	16
Profit and Loss Account.....	17
Schedules	18
Cash Flow Statement	26
Balance Sheet Abstract	28

NOTICE

To,
The Members

NOTICE is hereby given that the Twenty-Eighth Annual General Meeting of the Company will be held at its Registered Office, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch, in the state of Gujarat on Saturday, 4th September, 2010 at 12.30 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and the Audited Profit and Loss Account for the year ended on that date.
2. To appoint a Director in place of Shri Rajendra C. Saraf, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Nirmal Gangwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rishabh Saraf, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To Consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri Abhishek Mandawewala in respect of whom the company has received Notice under Section 257 of the companies Act, 1956 from a shareholder intimating his intention to appoint him as a director, be and is hereby appointed as a Director of the Company.”

7. To consider and if thought fit to pass with or without modification(s), following resolution as a Special Resolution:

“RESOLVED THAT Pursuant to Section 198, 269, 309 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, and subject to the approval of Central Government if required, Shri Abhishek Mandawewala, be and is hereby appointed as an Executive Director of the Company for a period of five years with effect from the date of this Annual General Meeting i.e. 4th September, 2010 on an aggregate remuneration of Rs.15 lacs per annum inclusive of all perquisites and benefits plus 1% Commission on Net Profits to the Company computed in the manner laid down under Section 349 & 350 of the Companies Act, 1956.”

“RESOLVED THAT Contribution to provident fund, superannuation fund or annuity fund and gratuity as may be payable under the provisions of relevant Acts and to the extent exempt under Income Tax Act and encashment of leave at the end of the tenure shall not be computed in the aforesaid ceiling for perquisites and allowances.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to issue letter of appointment, a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution.”

“RESOLVED FURTHER THAT where in any financial year closing after 31st March, 2010, the Company has no profits or its profits are inadequate, the Company do pay to Shri Abhishek Mandawewala remuneration by way of salary, perquisites, allowances, etc as mentioned above.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary the terms and conditions to the said appointment to the extent the Board may consider appropriate and as may be agreed to between the Board and Shri Abhishek Mandawewala.”

By Order of the Board

K. N. Kapasi
Company Secretary

Date: 31st July, 2010

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
2. The Register of Members of the Company will remain closed from Tuesday, 24th August, 2010 to Friday, 27th August, 2010 both days inclusive.
3. An explanatory statement relating to the items of special business at nos. 6 to 7 is herewith attached.
4. All correspondence pertaining to Equity Shares should be forwarded to the Company's Registrar and Share Transfer Agent M/s. Bigshare Service Pvt. Ltd. E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.

Explanatory Statement – Annexure to the Notice

Item No. 6 and 7

The Company has received a Notice under section 257 of the Companies Act, 1956 from a shareholder intending to appoint Shri Abhishek Mandawewala as a Director of the company.

Board of Directors has recommended his appointment as a Director and also as an Executive Director with the effect from the date of passing of this resolution as mentioned in item no. 6 & 7.

Shri Abhishek Mandawewala is 23 years old and he is B.A. / M. Eng. (Honours) from University of Cambridge, UK and he has experience of more than one year. He was an Executive of Welspun Steel Limited till April 30, 2010 and he is Executive of the Company with effect from 1st May, 2010.

A copy of draft appointment letter for his appointment is available for inspection of members at the registered office of the Company on any working day of the Company between 11.00 a.m. & 1.00 p.m.

The above may also be treated as an abstract of the draft agreement proposed to be entered into between the Company and him pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri Abhishek Mandawewala himself is in any way concerned or interested in the said resolution.

By Order of the Board

K. N. Kapasi
Company Secretary

Date: 31st July, 2010

28TH ANNUAL REPORT 2009-10

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 28th Annual Report together with Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. Lacs)

	Year ended 31-03-2010	Year ended 31-03-2009
Sales & Other Income	37314	29,332
Profit / (Loss) before interest, depreciation and Miscellaneous Expenses written off	(553)	(1,983)
Interest and Financial Charges	1494	1,207
Depreciation and Amortization	1888	1,474
Profit / (Loss) before Exceptional Items	(3935)	(4,664)
Exceptional Items		
Interest including Funded Interest waived as per rehabilitation scheme	—	665
Principal waived as per rehabilitation scheme	—	474
Profit/ (Loss) after Exceptional Items	(3935)	(3,525)
Less : Fringe Benefit Tax	—	7
Profit/ (Loss) after Tax	(3935)	(3,532)
Profit/ (Loss) brought forward from previous year	(4951)	(8,224)
Adjustment on reduction of share capital	—	6,805
Balance carried to Balance Sheet	(8886)	(4,951)

OPERATIONS

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

Particulars	2009-10			2008-09		
	Production (Tones)	Sales (in Qty.)	Gross Sales (Rs. in Lacs)	Production (Tones)	Sales (in Qty.)	Gross Sales (Rs. in Lacs)
Steel	83742*	84076	36337	54089	52574	29748
Trading in steel	—	—	—	—	1409	989
Seamless Pipes	5772	5982	3936	5513	3765	2461

* Includes 2972 MT processed by third parties.

Despite on-going recessionary situation in early FY 09-10 which has caused average realization of steel products lower by 17% over that of its preceding year, the organization has taken various steps which has resulted in 60% improvement in Sales Volume of Steel Products and 10% improvement in sales volume of Seamless Pipes in FY 09-10 over that of FY 08-09. Some of the noteworthy Plant

Improvements include Installation of Continuous DRI feeding system- which has brought in savings in manufacturing cost as well as stability in production, Outsourcing of smaller size rolled products to vendors -which has resulted in increased through-put of our rolling mill and recent Installation of LRF transformer which started showing results of reduced cycle time in steel thereby reducing the cost of steel making. Preventive Maintenance system has been further strengthened across all production processes which has resulted in increased production level of quality material.

By diversifying sales into Bearing, power, Defense and railway segments from hitherto Auto and General Engineering Segments, our product mix got a wider spread. We have also started developing niche products especially, high grade special steels (Creep Resistance Steel, Ball Bearing Steels, Low Phosphorous & Low Sulphur Nickel Chrome, Mo Steels & Round Ingots) to maximize sales & profitability. The newly installed heat-treatment furnace would aid in strengthening quality of these niche products.

In view of the above steps taken, the Company expects improvement in performance as compared to previous year.

DIRECTORS

Shri Rajendra C. Saraf, Shri Nirmal Gangwal and Shri Rishabh Saraf, the directors of the Company retire by rotation at 28th Annual General Meeting and being eligible offered themselves for reappointment.

Your directors recommend their appointments.

AUDITORS

M/s. Chaturvedi & Shah hold office of Auditors until the conclusion of the 28th Annual General Meeting. Members are requested to reappoint them for continuing in the office until conclusion of the next Annual General Meeting.

AUDITORS' OBSERVATIONS

References drawn by the auditors' in their report are self explanatory.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above rules, the directors are pleased to give the particulars as prescribed therein in the Annexure, which forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975 forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

- 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 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

Director

Director

Place : Mumbai

Date : May 21, 2010

MANAGEMENT DISCUSSION & ANALYSIS

A) INDUSTRY STRUCTURE & DEVELOPMENT

The year 2009 was not favorable for the steel industry as production dipped in response to weak demand from end—user industries. However, amidst the turmoil in the global industry, China and India stood apart with positive growth at the time when the world was reeling under demand pressures. Even other BRIC countries — Brazil and Russia didn't put up a good show with production down y-o-y.

The World Steel Association in its April 2010 forecast of "Short range outlook for Steel for 2010 and 2011" estimates that apparent steel usage will increase by 10.7% to 1241 Million tones after contracting by -6.7% in 2009. The report says that Indian Steel Demand Maintained stable growth during 2009 crisis and is expected to grow by 13.9% and 13.7% in 2010 and 2011 respectively after 7.7% in 2009, indicating that the worst is behind us.

The key drivers of growth would be significant investments toward large scale public infrastructure development, including roads, ports, power plants, airports, etc., as well

as increasing levels of urbanization generating demand for housing, automobiles and white goods.

B) OPPORTUNITY & THREATS

Demand of steel in global market mostly depends upon growth of infrastructure in China, India and other developing countries. Constant increase in price of steel in India may affect competitiveness of Indian end users of steel.

The Company concentrates in Niche market. The Company's products have been approved by Defense sector, large manufacturers of bearing industry, Automobile sector and Railway sector, wind power and Nuclear power etc. The Company is taking various steps to utilize its existing capacity to the maximum extent The future outlook of Alloy Steel/ Seamless Steel Tubular products looks promising considering the growth in the user segment and the general demand.

C) SEGMENTWISE AND PRODUCTWISE PERFORMANCE

Product wise performance is given in Directors Report under heading operations.

D) RISK & CONCERNS

Additional capacity being generated for production of Alloy Steel in India & dumping of Steel and Seamless Pipes from china caused pressure on sales & margin.

However the Company expects to mitigate the impact of risks and concerns since the Company concentrates on niche products.

E) 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.

F) 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 organization.

G) DISCUSSION & FINACIAL PERFORMANCE

SALES

Net turnover of the Company is of Rs. 372 Crores during the year ended 31st March 2010 as against Rs. 292 Crores during the year 31st March 2009.

28TH ANNUAL REPORT 2009-10

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Losses before exceptional items, depreciation & financial charges during the year ended 31st March 2010 was of Rs. 553 Lacs as compared to losses of Rs. 1983 Lacs for the year ended 31st March 2009.

H) FUTURISTIC 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.

FORM - A (SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year 2009-2010	Previous Period 2008-2009
A Power and fuel consumption		
1 Electricity		
(a) Purchased		
Units (In '000S)	95070.75	64603.20
Total Amount (Rs.in Lacs)	5441.72	3626.92
Rate / Unit (Rs.)	5.72	5.61
(b) Own Generation	Nil	Nil
(i) Through Diesel/Gas Generator	Nil	Nil
Units (In '000S)		
Units .of Natural gas		
Cost / Unit (Rs.)		
(ii) Through Steam Turbine / Generator	Nil	Nil
2 Gas Used		
Units (In '000S)	10281.19	6149.04
Total Amount (Rs.in Lacs)	1485.04	700.26
Rate / Unit (Rs.)	14.44	11.38
3 Furnace Oil		
Quantity (K.Ltrs.)	95.38	942.27
Total amount (Rs.in Lacs)	24.29	215.40
Average Rate (K.Ltrs.)	25263.00	22824.00
4 Others / Internal Generation	Nil	Nil

B CONSUMPTION PER UNIT OF PRODUCTION

STANDARDS

Products (With Details)			
steel(Prod. In MT)		83742.00	54089.44
Pipe(Prod. In MT)		5772.00	5512.69
Electricity/Steel Kwh	855	1018.65	1062.98
Electricity/Pipe Kwh	1305	1722.19	1289.25
Steel prodn/Mt			
Furnace Oil	82	Nil	Nil
Natural Gas Steel	86	86.77	91.65
Pipe prodn/Mt			
Gas	281	522.39	387.10

**ANNEXURE
FORM B
(SEE RULE 2)**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION
RESEARCH AND DEVELOPMENT (R&D)**

01	Specific area in which R&D is Carried out by the Company.	—	i) Reduction of rejection by using Ceramic dies in pipe plant ii) Round ingots for wind energy Sector
02	Benefit derived as a result of the above R&D for diversification of business	—	Rise in productivity and quality improvement
03	Future Plan of Action	—	
04	Expenditure on R&D		
05	Capital	—	—
	a) Recurring	—	—
	b) Total	—	—
	c) Total R&D expenditure as a percentage of total turnover.	—	—

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

01	Efforts in brief made towards technology	—	—
02	Benefits derived as a result to the above efforts, etc Product improvement, cost reduction, product development, imports substitution.	—	—
03	In case of imported technology (imported during the last 5 year reckoned from the beginning of the financial year), Following information may be furnished:	—	—
	a) Technology imported		
	b) Year of import	—	—
	c) Has technology been fully absorbed?		
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.		

Foreign exchange earnings and outgo:

1)	Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services and export plans.	—	—
(2)	Total foreign exchange used and earned		
	Used :	—	Rs. 6684 Lacs
	Earned :	—	Rs. 42 Lacs

ANNEXURE 'B'

ANNEXURE TO THE DIRECTORS' REPORT

- I) **INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2010.**

REMUNERATION OF RS. 24,00,000 PER ANNUM RECEIVED BY EMPLOYEE THROUGHOUT YEAR:

Name	Designation/ Nature of duties	Remuneration received	Educational Qualification	Experience in years	Date of Commence- ment of employment	Age	Last employment before joining the Company
1	2	3	4	5	6	7	8
Shri Lallu Singh	Sr. V.P. - Marketing	37,25,776/-	B.Sc. (Met Engg.)	33	26.03.07	63	Marmagao Steels Ltd
Shri S.S. Asawale	Sr. Vice President	36,95,368/-	B Tech Metallurgical	28	10.11.08	53	SE Forge Ltd.
Shri Pratap Kapoor	Vice President	20,35,251/-	DME DBM DPM MMS	26	31.07.09	46	ISMT Ltd.

REMUNERATION RECEIVED BY EMPLOYEE FOR A PART OF THE YEAR:

Name	Designation/ Nature of duties	Remuneration received	Educational Qualification	Experience in years	Date of Commence- ment of employment	Age	Last employment before joining the Company
1	2	3	4	5	6	7	8
Shri Vijay Singh Bapna	Executive Director & CEO	26,66,424/-	Chartered Accountant	37	30-06-2009	62	Indorama Group (Thailand)

Notes:

- Gross remuneration comprises salary & allowances.
- The nature of employment is contractual.
- Above mentioned employee is not a relative of any Directors of the Company.