

Remi Metals Gujarat Limited

**29TH ANNUAL REPORT
2010 - 2011**

REMI METALS GUJARAT LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Shri Atul Desai	- Chairman
	Shri Abhishek Mandawewala	- Executive Director (w.e.f. 31.07.2010)
	Shri B K Goenka	
	Shri Murarilal Mittal	
	Shri Vijay Singh Bapna	- Executive director upto 31-07-2010
	Shri Rajendra C Saraf	
	Shri Rishabh Saraf	
	Shri Nirmal Gangwal	
	Shri Ramgopal Sharma	

COMPANY SECRETARY Shri Kaushik N.Kapasi

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

BANKERS Bank of Baroda
Lakshmi Vilas Bank
Andhra Bank
Federal Bank
Corporation Bank

REGISTERED OFFICE Plot No, 1, G.I.D.C Industrial Estate,
Valia Road, Jhagadia,
Dist. Bharuch, Gujarat

LISTING OF SHARES THE BOMBAY STOCK EXCHANGE LTD,
MUMBAI
Phiroze Jee-jeebhoy Tower,
Dalal Street, Mumbai 400 001.

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REMI METALS GUJARAT LIMITED

NOTICE

To,
The Members

NOTICE is hereby given that the Twenty-Nineth Annual General Meeting of the Company will be held at its Registered Office at Plot No. 1, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch, in the state of Gujarat on Thursday, the 29th September, 2011, 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 2011 and the Audited Profit and Loss Account for the year ended on that date.
2. To appoint a Director in place of Shri B.K.Goenka, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.G.Sharma, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Atul Desai, 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 a Special Resolution:

“RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (The Act), the Articles no. 157 of the Association of the Company be and is hereby altered as under:

The existing Article No. 157 of the Articles of Association of the Company be substituted by the following article:

“157 – Every deed or other instrument to which the seal of the Company is required to be affixed shall unless the same is executed by a duly constituted attorney of the Company, be signed by any one of the directors, or company Secretary or any authorized person.”

Date: 30th May, 2011

By Order of the Board

Kaushik N. Kapasi
Company Secretary

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 Friday, 9th September 2011 to Tuesday, 13th September, 2011(both days inclusive).
3. An explanatory statement relating to the items of special business at nos. 6 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

Present article 157 requires director to be present for affixation of Common Seal of the Company on any documents. It is therefore proposed to alter the articles in order to have flexibility in operation of the Company particularly in execution of documents.

None of the Directors of the Company are in any way concerned or interested in the said resolution.

Mumbai

Date: 30-5-2011

By Order of the Board

Kaushik N. Kapasi
Company Secretary

NOTES:

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DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 29th Annual Report together with Audited Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

(₹ in Lacs)

	Year ended 31-03-2011	Year ended 31-03-2010
Sales & Other Income	59741	37314
Profit / (Loss) before interest, depreciation and Miscellaneous Expenses written off	181	(553)
Interest and Financial Charges	3122	1494
Depreciation and Amortization	2313	1888
Profit / (Loss) before Exceptional Items	(5254)	(3935)
Exceptional Items	-	-
Profit/ (Loss) after Exceptional Items	(5254)	(3935)
Less : Fringe Benefit Tax	-	-
Profit/ (Loss) after Tax	(5254)	(3935)
Profit/ (Loss) brought forward from previous year	(8886)	(4951)
Balance carried to Balance Sheet	(14140)	(8886)

OPERATIONS

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

2010-11				2009-10		
Particulars	Production (Tones)	Sales (in Qty.)	Gross Sales (₹ in Lacs)	Production (Tones)	Sales (in Qty.)	Gross sales (₹ in Lac)
Steel	*109318	109524	56457	83742*	84076	36337
Seamless Pipes	12366	12303	9100	5772	5982	3936

*Includes 7882 MT (Previous year 2972 MT) processed by third parties.

Steel input cost has gone up during the year and increased in input cost could not be passed on to customers. Further, competition in steel has increased specially from unit having blast furnace, this is resulted into increase in higher inventory/ higher receivables which led to increase in working capital interest cost. Contribution from steel division has, therefore been reduced due to reduce realization per MT.

The Company has developed new grades in steel division and also rejections in pipes have been reduced. The Company has booked first ever big order in Exports.

DIRECTORS

Shri Balkrishan Goenka, Shri R.G. Sharma and Shri Atul Desai, the directors of the Company retire by rotation at 29th Annual General Meeting and being eligible offered themselves for reappointment.

Your directors recommend their appointments/ reappointments.

AUDITORS

M/S. Chaturvedi & Shah hold office of Auditors until the conclusion of the 29th 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. Form B relating to research and technology absorption being nil is not attached.

Foreign exchange used and earning is mentioned below:

Used: ₹ 3176 Lacs (₹ 6684 Lacs)

Earning: ₹ 724 Lacs (₹ 42 Lacs)

PARTICULARS OF EMPLOYEES

There were no employees covered under the purview of the Section 217 (2A) of the Companies Act, 1956 and the Rule framed thereunder.

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;
- 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;
- 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;
- 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 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

Abhishek Mandawewala **M. L. Mittal**
Executive Director Director

Place: Mumbai

Date: 30th May 2011

MANAGEMENT DISCUSSION & ANALYSIS**A) INDUSTRY STRUCTURE & DEVELOPMENT**

Increasing environmental concerns are leading to stricter regulatory enforcement, which has adversely impacted iron ore mining in India. Older mines are getting deeper and new mining licenses are not coming through due to regulatory and governance issues. As a result, growth in domestic iron ore production has been crippled during the last two years.

Global supply of iron ore are expected to remain tight for two years and supply of coking coal to remain tight for 4-5 years. Peak shortage of both iron ore and coking coal will restrict steel production growth. This is likely to put pressure on the margins of non-integrated steel producers dependent on imports for both raw materials.

Cost of coal started rising for sponge iron producers in FY09, as Coal India reduced linkages to the steel industry to meet demand from utilities. Coal linkages to steel producers have been cut to 50% now.

Rising demand in consumer and industrial sectors points to a stronger U.S economy. Steel demand in Europe, China, India, Russia, Brazil and Turkey is picking up.

India steel industry demand is set to rise further on growth in automobile, power, construction and infrastructure sector. India has a lower per capita consumption of steel compared to other leading nations and therefore there is tremendous room for further demand growth as the economy expands, additionally, housing demand and developments is expected to account for more steel consumption in the country. Besides, infrastructure accounts for the maximum steel consumption among the industry segments. Moreover, demand from other industries, such as process, and engineering are expected to grow in the coming years

Coal prices may soften in the coming months, bringing respite to steel, cement and power companies. A drop in global commodity prices and softening of crude oil coupled with a sluggish demand from Japan are likely to have a cooling effect on coal prices. Prices of coking coal is likely to come down as the situation has improved post-Australian floods. This will have an impact on the Indian prices as well. User industries like steel will benefit from this drop in price

The oil & gas industry has been the primary end user and the biggest demand driver for pipes historically, with water infrastructure development and industrial applications being the other large demand centers. Increasing oil and gas prices typically drive exploration Capex, in turn fuelling demand for drilling activity (seamless pipes) and for the transportation of resources from the oil well to the end consumer (HSAW and LSAW pipes).

Seamless pipes find application in the oil & gas and automotive sectors (popularly known as Oil Country Tubular Goods, OCTG), as well as in boilers and mechanical components such as hydraulic cylinders. Demand is highly correlated with crude oil prices since the oil & gas sector is the primary end user of seamless pipes. The rising oil prices encourage higher E&P Capex for drilling activity, driving demand for seamless pipes.

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 and coking coal may affect competitiveness of Indian end users of steel. Further, increase in competition affect margin of profits.

The Company concentrates in Niche market. The Company shall concentrates Aerospace, Defense, Railway, Drilling, Yellow Good, Oil & Gas (Export), Turbine, Wind Energy, Machine/Ship Building, Gear Development, Engines, Open Die Forgers etc.

The Company is taking various steps to utilize its existing capacity to the maximum extent.

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 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 & FINANCIAL PERFORMANCE**SALES**

Net turnover of the Company is of ₹ 595 Crores during the year ended 31st March 2011 as against ₹ 372 Crores during the year 31st March 2010.

EBDITA

Profits before exceptional items, depreciation & financial charges during the year ended 31st March 2011 was of ₹ 181 Lacs as compared to losses of ₹ 553 Lacs for the year ended 31st March 2010.

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.

For and on behalf of the Board of Directors

Abhishek Mandawewala
Executive Director

M. L. Mittal
Director

Place: Mumbai
Date: 30th May 2011

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ANNEXURE FORM - A (SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year 2010-11	Previous Year 2009-2010
A	Power and fuel consumption		
1	Electricity		
	(a) Purchased		
	Units (In '000S)	123662	95071
	Total Amount (Rs.in Lacs)	6815	5442
	Rate / Unit (Rs.)	5.51	5.72
	(b) Own Generation	Nil	Nil
2	Gas Used		
	Units (In '000S)	12628	10281
	Total Amount (Rs.in Lacs)	2033	1485
	Rate / Unit (Rs.)	16.10	14.44
3	Furnace Oil		
	Quantity (K.Ltrs.)	141	95
	Total amount (Rs.in Lacs)	34.31	24.29
	Average Rate (K.Ltrs.)	24398	25263
4	Others / Internal Generation	Nil	Nil
B	CONSUMPTION PER UNIT OF PRODUCTION		
	STANDARDS		
	Products (With Details)		
	Steel (Production In MT)	109318	83742
	Pipe (Production In MT)	12366	5772
	Electricity/Steel Kwh	855	998
	Electricity/Pipe Kwh	1305	1176
	Steel Production/MT		
	Furnace Oil	—	Nil
	Natural Gas	86	76
	Pipe Production/MT		
	Gas	281	354

CORPORATE GOVERNANCE - CLAUSE 49 OF THE LISTING AGREEMENT

A. Company's Philosophy

Remi Metals Gujarat Limited believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, shareholders, consumers and society.

The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness.

B. Board of Directors

i) Composition:

Details of composition of the existing Board of Directors as on 31st March 2011 are given below:

Sr.No.	Name of Director	Category	No. of Shares Held	Attendance Particulars		Director-ship in other public limited companies	Committee Chairmanship/ membership
				Annual General Meeting	Board Meeting		
1	Mr. R. C. Saraf	P,NE,S	100501	No	5	4	4M
2	Mr. Rishabh R. Saraf	P,NE	Nil	No	3	1	-
3	Mr. B. K. Goenka	SI,NE	Nil	No	2	12	1C/5M
4	Mr. Abhishek Mandawewala	P, E	Nil	No	3	3	-
5	Mr. M. L. Mittal	NE	Nil	No	5	9	2M
6	Mr. Vijay Singh Bapna	NE	Nil	No	1	2	-
7	Mr. Atul Desai	I,NE,C	Nil	Yes	5	5	3C/5M
8	Mr. Nirmal Gangwal	I,NE	Nil	No	3	6	4M
9	Mr. R. G. Sharma	I,NE	Nil	No	4	4	1C/2M

Abbreviations:

P = Promoter, E = Executive Director, NE = Non Executive Director, I = Independent Non Executive, S = Shareholder, C = Chairman, M = Member, SI= Strategic Investor.

ii) Details of Date of Board Meeting:

During the year 2010-11, the Board of Directors met five times on the following dates: -

21.05.2010, 31.07.2010, 30.10.2010, 14.02.2011 and 08.03.2011.

C. COMMITTEES OF THE BOARD

The Committee constituted by the Board as on the date are mentioned below:

1. AUDIT COMMITTEE

The Audit Committee consists of the following 3 Non-Executive Directors as on 31.03.2011.

Mr. Atul Desai	-	Chairman (Independent)
Mr. R. G. Sharma	-	Member (Independent)
Mr. M. L. Mittal	-	Member

The Secretary of the Company also acts as a Secretary to the Committee.

Terms of reference:

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under Clause 49 of the Listing Agreement.

Four meetings of Audit Committee of Board of Directors were held on 21.05.2010, 31.07.2010, 30.10.2010 and 14.02.2011.

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The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2010 to 31/03/2011)
1	Mr. Atul Desai	Chairman	4
2	Mr. M. L. Mittal	Member	4
3	Mr. R. G. Sharma	Member	4

2. REMUNERATION COMMITTEE

Remuneration committee of the Board of Directors of the Company consists of the following persons:

Mr. Atul Desai	-	Member
Mr. Nirmal Gangwal	-	Member
Mr. M. L. Mittal	-	Member
Mr. R. G. Sharma	-	Member

During the year 2010-11, Remuneration Committee meeting was held on 31.07.2010 and the meeting was attended by Mr. Atul Desai, Mr. M. L. Mittal, and Mr. R. G. Sharma the members of the Committee.

Terms of Reference

To recommend payment of Remuneration to Managing Director/Executive Director from time to time.

The details of Remuneration paid/due during the period under review to Mr. Vijay Singh Bapna and Mr. Abhishek Mandawewala are mentioned below:

(Amt. in Rs.)

Particulars	Shri. Vijay Singh Bapna (Executive Director upto 31.07.2010)	Shri. Abhishek Mandawewala (Executive Director w.e.f.04.09.2010)
Basic	623712	607926
HRA/ Rent Free Accommodation	249484	243166
Incentive	718869	0
Bonus/ Ex-gratia	0	50644
Other benefits	0	371074
Total	1592065*	1272810
notice period	3 months	3 months
service contract	Upto 31.07.2010	5 Years

* This includes the amount of Rs. 3,33,576 pertaining to the financial year i.e. 2009-10

The details of sitting fees paid to Non Executive Directors of the Company are given below:

Name of Director	Total Sitting Fees Paid for attending meeting of Board of Directors /Audit Committee/Remuneration Committee/Share transfer and Investors Grievance Committee for the year 2010-11
Mr. Atul Desai	Rs.52,000
Mr. Nirmal Gangwal	Rs.15,000
Mr. R. G. Sharma	Rs.47,000

3. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

- The Share Transfer and Investors' Grievances Committee focused on shareholder's grievances and strengthening of investor relations. The functions of the Committee include specifically looking into redressal of investors' grievances pertaining to Transfer of shares, Dematerialization of shares, replacement of lost/ stolen/mutilated share certificates and other related issues.
- Composition and details of attendance of members of the Committee are as follows:

Sr.No.	Name of the Member	Designation	Number of Meetings Attended (01/04/10 to 31/03/11)
1.	Shri. M.L.Mittal	Member	4
2.	Shri. Atul Desai	Chairman	4
3.	Shri. Ram Gopal Sharma	Member	4

- Four meeting of Share Transfer and Investors Grievance Committees were held on 30.06.2010, 09.07.2010, 26.11.2010 and 14.01.2011.
- Number of shareholders complaints/ requests received during the year:

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During the year under review, total 223 Investor's complaints/ requests were received. Break up and number of complaints/ requests received under different category is given hereunder:

Sr. no.	Category	No. of complaints Recd
1	Non receipt of annual report	2
2	Non receipt of certificate against Indemnity/Name deletion/ Transmission	1
3	Non receipt of Demat credit	11
4	Non receipt of Demat rejection documents	4
5	Non receipt of dividend warrant	9
6	Non receipt of exchange share certificates	161
7	Non receipt of share certificate after transfer	15
8	SEBI	16
9	Stock Exchange	4
Total Complaints Recd		223

All the complaints/ requests received during the year under report were resolved within the time limit to the satisfaction of the investors/ shareholders and no complaints were pending as on 31st March 2011 for more than 30 days.

D. GENERAL BODY MEETINGS:

(i) The details of General Meetings held in the last three years are given hereunder:

Date	Type of meeting	Location	Time	No. of special Resolutions
29/12/2008	Annual General Meeting	Plot No. 1, GIDC Indl. Estate, Valia Road, Jhagadia, Dist.	12.30 P.M.	3
26/09/2009	Annual General Meeting	Plot No. 1, GIDC Indl. Estate, Valia Road, Jhagadia, Dist.	12.30 P.M.	4
30/03/2010	Extra Ordinary General Meeting	Plot No. 1, GIDC Indl. Estate, Valia Road, Jhagadia, Dist.	12.30 P.M.	1
04/09/2010	Annual General Meeting	Plot No. 1, GIDC Indl. Estate, Valia Road, Jhagadia, Dist.	12.30 P.M.	1

(ii) Details of Special Resolutions passed in the last three years are given hereunder:

Date	Location	No. of special Resolutions	Special Resolutions passed
29/12/2008	Plot No. 1, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. - Bharuch, Gujarat.	Three	(a) Alteration in Article 3 of the Articles of Association to give effect to the re-classification of share capital into Preference shares and equity shares. (b) Reappointment of Mr. Shashank Chaturvedi as an Executive director on remuneration of Rs.46, 50,000 per annum for a period of one year with effect from 1-04-2008. (c) Reappointment of Mr. L. S. Kshatriya as Technical director on remuneration of Rs.31, 60,000 per annum for the period from 1-04-2008 to 27-10-2008.
26/09/2009	Plot No.1,GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch	Four	a) Appointment of Mr. Vijay Singh Bapna as an Executive Director on remuneration of Rs.40,00,000 per annum with effect from 30-06-2009 for a period of three years. b) Alteration of Articles no. 3 of Articles of Association for reclassification of authorized share capital into preference shares and equity shares. c) Consent to Board of Directors to issue and allot Preference shares not exceeding Rs.96 Crores to the Promoters/co promoters/ the strategic investors. d) Consent to delist equity shares from Ahmedabad Stock Exchange, The Delhi Stock Exchange, Madras Stock Exchange, The Calcutta Stock Exchange and Vadodara Stock Exchange.