



THE YASH BIRLA GROUP

ZENITH BIRLA (INDIA) LIMITED



45th Annual Report 2006 - 2007

ZENITH BIRLA (INDIA) LIMITED**45th Annual Report 2006-07****DIRECTORS**

YASH BIRLA
D. V. KAPUR
AUGUSTINE P. KURIAS
ANIRUDDHA BARWE
SANJAY BUDHIA (w.e.f. 28.09.06)
M.S. ARORA (w.e.f. 10.07.07)

Chairman

CEO & Executive Director

WORKS

1. KHOPOLI 410 203
DIST. RAIGAD
MAHARASHTRA
2. 62/63, MIDCAREA,
SATPUR
NASHIK 422 007
MAHARASHTRA
3. B-15/3/1, MIDCAREA
WALLUJ 431 133
DIST. AURANGABAD
MAHARASHTRA

COMPANY SECRETARY

RAJIV GANDHI

AUDITORS

DALAL & SHAH
Chartered Accountants

BANKERS

STATE BANK OF INDIA
PUNJAB NATIONAL BANK
BANK OF BARODA
ORIENTAL BANK OF COMMERCE

REGISTERED OFFICE

DALAMAL HOUSE,
1ST FLOOR, 206, JAMNALAL BAJAJ MARG,
NARIMAN POINT, MUMBAI - 400 021.
TEL. : 022-22821173 FAX : 022 - 22047835

REGISTRAR AND SHARE TRANSFER AGENTS

BIGSHARE SERVICES PVT. LTD.
E/2, ANSA INDUSTRIAL ESTATE,
SAKIVIHAR ROAD, SAKINAKA,
ANDHERI (EAST), MUMBAI - 400 072.
TEL. : 022-28470652 / 28470653
FAX : 022-28475207

CONTENTS

Notice	1-3
Director's Report	4-7
Management's Discussion & Analysis	8-9
Report on Corporate Governance and Certificate	10-16
Auditor's Report	17-19
Financial Reports of the Company	20-38
Financial Reports of Subsidiaries	39-68
Consolidated Financial Statements	69-86

Members are requested to note that only tea/coffee will be served during the 45th Annual General Meeting to be held on Friday, the 14th day of September, 2007 at 11.00 a.m. at Patkar hall of SNTD Women's University, Nathibai Thakersey Road, New marine Lines, Mumbai - 400 020.



THE YASH BIRLA GROUP

NOTICE

Notice is hereby given that the Forty Fifth Annual General Meeting of the members of **ZENITH BIRLA (INDIA) LIMITED** will be held on Friday, the 14th day of September, 2007 at 11.00 a.m. at Patkar Hall of SNDT Women's University, Nathibai Thakersey Road, New Marine Lines, Mumbai - 400 020, to transact the following business:

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2007, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a director in place of Shri Augustine Kurias, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT M/s. Dalal & Shah, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

Special Business:

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

"RESOLVED THAT in accordance with the provisions of the Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, **Shri M.S. Arora**, who was appointed as Additional Director on 10th July, 2007 pursuant to the provisions of Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, the Company hereby accords its approval for the appointment of **Shri M.S. Arora** as Whole Time Director (designated as Chief Executive Officer (CEO) and Executive Director) for a period of 5 (five) years with effect from 10th July, 2007 on the terms and conditions as set out in this resolution including payment of remuneration and perquisites to him, with liberty to the Board of Directors to alter and vary the terms and conditions and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shree. M.S. Arora."

SALARY

Rs.9,60,000/- p.a. (Rupees Nine Lacs Sixty Thousand per annum) with such annual increase as may be decided by the Board of Directors in this regard.

PERQUISITES

- i. The Executive Director shall be entitled to perquisites & benefits such as HRA, Furnishing Allowance, House Maintenance, gas, electricity, water, Medical Re-imbursement, Leave Travel Concession for self & family, Car Maintenance & Drivers allowance etc. and any other Allowances & Perquisites as per the policy / rules of the Company in force and / or as may be approved by the Board from time to time provided that aggregate value of such allowances & perquisites shall not exceed Rs.29.25 Lacs per annum. Allowances & Perquisites to be valued as per the Income Tax Rules, wherever applicable and at actual costs to the Company in other cases.
- ii. The Executive Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund, Pension Fund, Gratuity, Encashment of Leave at the end of the tenure, as per the rules of the Company and these shall not be included in the computation of perquisites.

COMMISSION

Such amount for each accounting year as may be decided by the Board.

ZENITH BIRLA (INDIA) LIMITED**45th Annual Report 2006-07****OVERALL REMUNERATION**

The aggregate of salary and perquisites in any corporate financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being be in force.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director, the payment of salary, allowances, perquisites and commission shall be governed by the limits prescribed under Section II of the Part II of Schedule XIII to the Companies Act, 1956 as may for the time being in force.

OTHER TERMS

- i. The Executive Director shall not be paid any sitting fees for attending the meeting(s) of the Board of Directors or Committees thereof.
 - ii. Executive Director shall devote his full time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the Company and its business.
 - iii. The Company or the Executive Director shall be entitled to terminate this appointment by giving three months notice in writing or such shorter notice as may be mutually agreed between him and the Company.
7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of the Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, **Shri Sanjay Budhia**, who was appointed as Additional Director on 28th September, 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company liable to retirement by rotation under the provisions of the Articles of Association of the Company."

By Order of the Board
For Zenith Birla (India) Limited

Rajiv Gandhi
Company Secretary

Mumbai
Date: 10th July, 2007

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain close from Monday, the 10th September, 2007 to Friday, the 14th September, 2007 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the meeting.
3. The dividend on equity shares, if declared at the meeting, will be paid on or after 24th September, 2007 to those members whose names shall appear on the Company's Register of Members on 14th September, 2007.
4. Pursuant to Section 205A(5) and 205C of the companies Act, 1956, the Company has transferred the unpaid/unclaimed dividend, deposits and interest warrants till the end of the financial year ended March 31, 2000, to the Investor Education and Protection Fund (IEPF) established by the Central Government.
5. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Big Share Services Pvt. Ltd. for consolidation into single folio.



THE YASH BIRLA GROUP

6. Members are requested to promptly notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
7. Members, who wish to avail ECS Facility for the payment of dividend may send their duly completed form to the Company's Registrar & Share Transfer Agent for the shares held in physical form and to their respective Depository Participant for the shares held in dematerialized form.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item Nos. 5 & 6

Shri M.S. Arora, Chief Executive Officer was appointed as an Additional Director and Whole Time Director (designated as CEO & Executive Director) of the Company for a period of five years with effect from 10th July, 2007. Pursuant to the provisions of the Section 260 of the Companies Act, 1956 and the Articles of Association of the Company and holds office upto the date of this Annual General Meeting. The Company has received notice, along with requisite fee, from a member under Section 257 of the Companies Act, 1956, proposing the candidature of Shri M. S. Arora as a Director of the Company.

Aged about 45 years, he is a Mechanical Engineer by qualification. He has joined the Company on 15th March, 2007. Prior to joining Zenith, he was Chief Operating Officer at Mann Industries Ltd. He has notched up many successes during his career of more than 20 years in the Steel Pipes industry, achieving new peaks both in top-line and bottom-line.,

In terms of the Articles, he being a Whole Time Director will not be subject to retirement by rotation.

The remuneration as set out in the resolution is in accordance with the provisions of Schedule XIII to the Companies Act, 1956. He is neither holding Directorship in any other company nor holding any equity shares of the Company as on the date of this Notice.

Nature of expertise in specific functional area – Marketing and General Management.

The Remuneration Committee of the Board has recommend the appointment as well as the remuneration payable to Shri M.S. Arora. The Board recommends the Resolutions for approval of the Members.

Shri M. S. Arora is interested in the proposed Resolutions. None of the other Directors are interested or concerned in the proposed Resolutions.

This should be considered as an abstract of the terms of appointment and payment of remuneration to Shri M. S. Arora as Whole Time Director and a memorandum as to the nature of the concern or interest of the Director as required under Section 302 of the Companies Act, 1956.

Item No. 7

Shri Sanjay Budhia was appointed as an Additional Director of the Company with effect from 28th September, 2006 pursuant to the provisions of the Section 260 of the Companies Act, 1956 and Article 144 of the Articles of Association of the Company and holds office upto the date of this Annual General Meeting.

The Company has received notice, along with requisite fee, from a member under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Sanjay Budhia as a Director of the Company under the provisions of Section 257 of the Act.

A brief resume of Shri Sanjay Budhia, nature of his expertise, as stipulated under Clause 49 of the Listing Agreement with the Bombay Stock Exchange, are provided in Report on Corporate Governance forming part of this Annual Report.

The Board commends the resolution set out at Item No. 7 of the Notice for your approval.

None of the Directors, except Shri Sanjay Budhia, is concerned or interested in the resolution.

By Order of the Board
For Zenith Birla (India) Limited

Rajiv Gandhi
Company Secretary

Mumbai
Date: 10th July, 2007

ZENITH BIRLA (INDIA) LIMITED

45th Annual Report 2006-07

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the Forty Fifth Annual Report together with the Audited Statements of Accounts of your Company for the period ended 31st March, 2007.

1. Financial Results

FINANCIAL RESULTS	(Rs. In Crores)	
	Year ended 31.03.2007	Year ended 31.03.2006
TOTAL INCOME	406.29	321.01
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION, TAXATION AND EXPENSES IN RESPECT OF EARLIER YEARS	37.60	24.39
Interest and Finance Expenses	13.94	8.35
PROFIT/(LOSS) BEFORE DEPRECIATION, TAXATION AND EXPENSES IN RESPECT OF EARLIER YEARS	23.66	16.04
Depreciation	4.38	4.14
Profit/(Loss) for the Year Before Taxation and Expenses in respect of Earlier Years	19.28	11.90
Less : Expenses in respect of earlier years	0.05	0.47
NET PROFIT/(LOSS) BEFORE TAX (PBT)	19.23	11.43
Less: Provision for Taxation: Fringe Benefit Tax (FBT)	0.21	0.20
Current year Tax (MAT)	2.41	0.92
PROFIT AFTER TAX (PAT)	16.61	10.31

2. Dividend

In view of the satisfactory performance of the Company, your Directors are pleased to recommend a dividend @ 6% on the equity shares for the financial year ended 31st March, 2007. Equity Shares allotted anytime during the year are also eligible for the payment of Dividend. The total outgo on account of dividend payment (including dividend tax) shall be Rs.281.30 Lacs.

3. Operating Performance

The year under review, is one amongst the best in the 45 years history of the Company on all parameters. The key contributors to this improved performance were the increased focus on rapidly growing oil & gas, agriculture & irrigation sector in case of Steel Pipes Business and engineering & infrastructure sector in case of Tools Business. The production and sales saw a significant rise of average 25% over previous year.

Your Company continued with its growth strategy through research & development for increasing product range in its key markets, where it enjoys high brand recognition and acceptability. With increased focus on organic & in-organic growth through expansion and acquisitions is expected to provide sound platform for the sustained performance in the coming years.

4. Financial Performance

During the year under review total income increased from Rs.321 crores to Rs.406.29 crores and Profit After Tax from Rs.10.31 crores to Rs.16.62 crores, reflecting a strong financial performance. This was achieved due to steady growth in demand for the Company's products both in domestic and international market coupled with the economies of scale in operations. Additional measures are being taken for optimizing the capacity utilization and moving up in value chain.

5. Export Performance

Your Company continues to remain a leading exporter of Steel Pipes to USA, Middle East and various other countries. Exports turnover increased by 15% to Rs 98.11 Crores during the year under review. Your Company continues to remain net earner of the valuable foreign exchange.



6. Expansion Project

In order to cater to the fast growing demand of steel pipes, the Company is pursuing expansion projects, for which necessary resources have been tied up. The benefit of this expansion project shall start reflecting from the next financial year.

7. Follow-on Public Offer

During the year, to part finance the expansion project, your Company came out with a follow-on public offer for 2,38,18,182 Equity Shares of Rs.10/- each at issue price of Rs.55/- per share aggregating to Rs.131 crores. The said issue was fully subscribed and the new shares are already listed. Your Directors wish to place on record their sincere thanks to all the investors for participating in the issue.

8. Listing of shares on NSE

Your Directors are pleased to inform that in order to provide additional liquidity and expand our investors base, Company's shares have also been listed on the National Stock Exchange (NSE) w.e.f. 30th April, 2007.

9. Subsidiary Company

The Accounts for the wholly owned Subsidiary Company, M/s Zenith (USA) Inc., Khamgaon Syntex (India) Ltd. and Zenith Middle East FZE have been received by the Company and therefore statement pursuant to Section 212 of the Companies Act, 1956, is enclosed.

10. Management Discussion And Analysis Report

In terms of clause 49 of the Listing Agreement with the Stock Exchange, the Management Discussion and Analysis Report is appended to this report.

11. Corporate Governance

Your Company will continue to strive to incorporate best of standards for good corporate governance. As a listed company, all required measures are taken to comply with the Agreement with the Stock Exchange and other statutory regulations. A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this report.

12. Directors Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Directors of the Company state as under that:-

1. in the preparation of annual accounts, applicable Accounting Standards have been followed except as mentioned Note No.4(3) (Annexure A) regarding valuation of finished and process stocks of Tools division as per the method explained therein, which has also been done as per consistent practice. These notes are appearing in the schedule 22 of the accounts.
2. the Directors had selected such accounting policies and applied them consistently and made judgements 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 financial period and of the profit or loss for the period except as mentioned in (i) above.
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud & other irregularities.
4. the Directors had prepared Annual Accounts on a 'going concern' basis.

13. Cost Audit

The reports of Cost Auditors in respect of audit of the cost records of the Pipes Division of the Company for the year ended 31st March, 2007 will be submitted to the Central Government in due course.

14. Auditors Remarks

The Notes to the Accounts and the remarks referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

15. Directors

Shri Arun Jain resigned from the position of Executive Director and Director on the Board of the Company effective 8th June, 2007. The Directors place on record their sincere appreciation for valuable contribution he has made during his association with the Company.

Shri M.S. Arora, Chief Executive Officer of the Company, has been appointed as an Additional Director and Whole Time Director (designated as CEO & Executive Director) for a period of five years with effect from 10th July, 2007. The Company has received notice, along with requisite fee, from a member under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Arora as a Director of the Company. Requisite approval of shareholders for his appointment and

ZENITH BIRLA (INDIA) LIMITED**45th Annual Report 2006-07**

payment of remuneration is being sought at the ensuing Annual General Meeting.

Shri Sanjay Budhia, who have been appointed as additional director with effect from 28th September, 2006, holds office upto the date of the ensuing Annual General Meeting (AGM). The Company has received a notice in writing along with requisite fee, from a member under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Shri Sanjay Budhia for the office of Director, liable to retire by rotation.

In accordance with the Articles of Association of the Company, Shri Augustine Kurias retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Brief resume of Directors proposed to be appointed / re-appointed including their other directorships are provided in the Report on the Corporate Governance.

16. Fixed Deposits

During the year under review, the Company has invited fresh Fixed Deposits from its shareholders and general public. As on March 31, 2007, the Company has fixed deposit of Rs.520 lacs. There are no un-paid deposits (other than un-claimed), payable as of 31st March, 2007. Also, there is no default in payment of interest and repayment of matured deposits.

17. Un-paid / Un-claimed interest / deposit

Unpaid / Unclaimed interest / deposits have been transferred to the Investors Education and Protection Funds in terms of requirement of Section 205A(5) of the Companies Act, 1956.

18. Auditors

M/s Dalal & Shah, Mumbai retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Audit Committee recommends the re-appointment of M/s Dalal & Shah, as Statutory Auditors of the Company.

19. Particulars Of Employees

As required under Section 217 (2A) of the Companies Act, 1956 read with companies (particulars of employees) Rules, 1975, the names and other particulars of employees receiving remuneration above the prescribed limit are set out in the annexure appended to this report.

20. Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo:

Particulars required under Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, is given in Annexure I forming part of this report.

21. Personnel

Your Directors place on the record their appreciation of the contribution made by the employees at all levels who, through their competence, diligence, solidarity, co-operation and support, have enabled the Company to achieve the desired results during the year.

22. Acknowledgements

During financial year under review Industrial Relations continued to remain cordial. Your Directors wishes to place on record their sincere thanks to the continuing commitment and dedication of employees at all levels. The Directors would also like to thank to the various stakeholders such as Banks, Financial Institutions, various State and Central Governmental Authorities, Customers, Vendors and last but not least our valued Shareholders, who are supporting the management for all these years and made possible one of the very few industrial revival, a reality in the history of Corporate India.

With best wishes for the coming festival season.

For and on behalf of the Board

Place: Mumbai.
Date: 10th July, 2007

YASH BIRLA
Chairman



ANNEXTURE TO DIRECTORS' REPORT

(Information under Section 217 (1) (e) of the Companies Act 1956, read with Companies (Disclosure of particulars in Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2007)

A. CONSERVATION OF ENERGY:

a) Energy Conservation Measures Taken:

The Company has taken following measures for energy conservation at the factories, namely:

- 1) Additional capacitors tank with automatic P.F. Controller unit have been provided and power factor achieved from 0.99 to unity.
- 2) Insulation updated for steam lines & vessels & arrangements improved for condensate collection and transfer to Boiler feed water tank.
- 3) Spray drying capacity increased by increasing ID & FD fan capacity which Has resulted into lower electrical consumption per unit of production.
- 4) We have changed 24 Nos. 5 H.P. Compton Greaves make Motors by energy efficient Siemens Motors for better efficiency and saving in energy by 30% in this area.

(b) Further R & D work is being carried on for reduction of time cycle of the process.

(c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of reduction of goods.

The above measures have resulted in energy saving and consequent decrease in the cost of production.

(d) Total Energy Consumption and Energy Consumption per unit of production is not applicable to any units of the Company.

B. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption as per Form B.

FORM "B"

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company.

- (a) R & D Work is going on to give more yield and to reduce time cycle of process for optimizing the raw material consumption and utilities norms.
- (b) Development of new value added products.

2. Future Plan of Action

To develop further new value added products.

3. Expenditure on R & D:

The expenditure on in-house R & D is shown under respective heads and no separate account is maintained.

4. Technology Absorption, Adaptation and Innovation: Nil

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Rs.in lacs

	2006-07	2005-06
Total Foreign Exchange earnings	9810.52	8613.15
Total Foreign Exchange outgo	2234.42	1360.60

D) PARTICULARS OF EMPLOYEES:

Information as per Section 217 (2A) of the Companies Act, 1956 read with companies (particulars of employees) Rules, 1975 and forms part of the Directors Report for the year ended 31st March, 2007.

A. Employed throughout the year:

None

B. Employed for part of the year:

Sr.	Name	Designation	Age	Qualification	Experience	Gross Remuneration	Dt.of joining	Last Employment
1	M. S. Arora	CEO	45	B.E. (Mech)	21	1,47,105	15.03.07	MAN Industries

ZENITH BIRLA (INDIA) LIMITED

45th Annual Report 2006-07

**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT****a) Industry Structure and Business Overview:**Steel Pipes:

Steel pipe is basic Industrial product, usage of which starts at initial stage of development of the any country. Steel Pipes were initially developed for conveying water, steam & other liquid products. The usage subsequently extended to conveying oil & gas. With the Government projecting the GDP to grow at around 9%, an urgent need has been felt on further improving the infrastructure development in the country to meet such growth targets.

Agriculture, Oil & Gas and Construction is three such major areas where there is tremendous scope for the development of infrastructure, be it irrigation & water supply, oil & gas transportation or housing. In due course, the usage of pipes extended for structural application as for the same strength, the tubular structure was found to require 30% less weight than conventional structural steel, besides giving better aesthetic looks. The total size of the steel tubes and pipes market in India is around 4.2 Million MT. The organized sector accounts for about 70% of the total pipe market while the balance is catered by unorganized sector.

The application further extended to extensive industrial usage with Auto/Auto component Industry emerging as one of the largest user of tubular structure. Looking at the growth potential in this area, your Company has lined up a major expansion plan to manufacture Mechanical Tubes, which are extensively used in automobiles, hydraulic/pneumatic cylinders, power & industrial boilers, transformers, super heaters, economizers, heat exchangers, bicycles and furniture applications. This would ensure that your Company is well positioned to take advantage of future growth in demand.

Cutting Tools

Cutting Tools manufactured by the Company is primarily used for material removal during machining operations. The major consuming industries for cutting tools are Automobile and Auto Components, Capital goods industry and general engineering industry. As use of cutting tool is directly related to growth of automobile, fabrication, machine tool, auto-components where the annual growth is placed at 25-30% p.a., the demand of cutting tools will increase proportionately. That India is being fast converted into a manufacturing hub for auto & auto components, will ensure accelerated growth in demand for cutting tools. Indian Tool Manufacturers (ITM) Division of your Company is one of the pioneer of the Tool industry in the country and enjoys a very high brand recall amongst its users. Over a period of time the division has continuously maintained high quality standards through modernization and technology up-gradation.

b) Opportunities & Threats:Opportunities:

- i) The major user industries e.g : Auto components, Housing, Water supply are expected to grow at a rate higher than GDP rate. This alongwith the strong distribution network and brand image should enable the Company to ensure optimum capacity utilization in standard pipes and cutting tools.
- ii) Major investment in oil & gas pipelines in the country is lined up. To take advantage of projected growth in pipe laying for transportation of Oil and Gas, we have converted a part of our Standard Pipe capacity for manufacturing API Pipes. This will help us to move up the value chain in our product portfolio.
- iii) Focused approach on core engineering business will help optimizing operational efficiencies.
- iv) Global reach and strong brand image will help achieve planned growth.

Threats:

- i) Commodity nature of product retains pressure on margins, which may affect our financial performance.
- ii) High volatility in HR Coil prices witnessed in the couple of years. Any adverse factors may impact prices & availability of HR Coils, which in turn may have an adverse impact on the input cost and the resultant profitability of our company.
- iii) High working capital requirement in the business.
- iv) Growing competition from domestic as well as international manufacturers.
- v) We may be impacted in the event of development of any new product, which may act as a substitute for Company's products.
- vi) Technology obsolescence and invention of the new cost efficient processes may adversely impact the overall business.

c) Risk Management:

- i) The products of various divisions are considered as "Standard Commodity Products" and therefore subject to global price competition. The Company continuously make efforts in improving production efficiency, cost reduction & brand building to mitigate the impact. It is considered opinion on the management that it has taken all possible steps to maintain and enhance the competitive position of the Company.
- ii) The Company is in the process of putting in place, an exhaustive risk identification, analysis and mitigation process.