

**38TH  
ANNUAL - REPORT  
2008-2009**

**Rathi Steel and Power Ltd.**

**AN ISO 9001 COMPANY**

BOARD OF DIRECTORS

Sh. Punam Chand Rathi  
Sh. Pradeep Rathi-Managing Director  
Sh. S.K.Daga  
Sh. Prem Narayan Varshney  
Sh. Dwarka Das Lakhotia  
Sh. Ranjit Khattar

COMPANY SECRETARY

Sh. N.K. Garg

AUDITORS

M/s M.Lal & Co.  
III-A, Nehru Nagar  
Ghaziabad (U.P.)  
Pin- 201001

LEGAL ADVISOR

Sh. Shiv Khorana, Advocate  
F-7, IInd Floor, Lajpat Nagar-III  
New Delhi- 110024

BANKERS

Bank of Baroda  
Canara Bank  
Syndicate Bank  
State Bank of India

REGISTERED OFFICE

24/1A, Mohan Co-Operative  
Industrial Estate  
Mathura Road  
New Delhi- 110044  
Phone: 011-26991060  
Fax: 011- 26991063

CORPORATE OFFICE

Industrial Area No. 1  
A-3, South of GT Road  
Ghaziabad (U.P.)  
Pin- 201009  
Phones: 0120-2840346 to 350  
Fax: 0120-2840352- 353

WORKS:  
Unit-1

Industrial Area No. 1  
A-3, South of GT Road  
Ghaziabad (U.P.)  
Pin- 201009  
Phones: 0120-2840346 to 350  
Fax: 0120-2840352- 353

Unit-2

Vill. Potapali, Sikirdi, P.S. Burla  
Distt. Sambalpur (Orissa) 768006  
Phones: 0663-2541170, 2230495

REGISTRAR &  
TRANSFER AGENT

Intime Spectrum Registry Limited  
Unit: Rathi Steel And Power Limited  
A-31, 3<sup>rd</sup> Floor, Naraina Industrial Area  
Phase-II, Near PVR Cinema  
New Delhi- 110028  
Ph: 011- 41410592  
Fax: 011- 41410591

#### NOTICE

Notice is hereby given that the 38<sup>th</sup> Annual General Meeting of the members of Rathi Steel And Power Limited will be held on Wednesday 30<sup>th</sup> September 2009 at 10.00 a.m. at The Little Theatre Group, next to the Kamani Auditorium, Copernicus Marg, New Delhi- 110001 to transact the following business:

#### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2009, and the Profit and Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri S.K.Daga, who retires by rotation and being eligible, offers him-self for reappointment.
4. To appoint a Director in place of Shri Ranjit Khattar, who retires by rotation and being eligible, offers him-self for reappointment.
5. To consider and if thought fit, to pass with or without modification, if any, the following resolution as an ORDINARY RESOLUTION

"Resolved that M/s M. Lal & Co, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from conclusion of this Annual General Meeting upto 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:

6. To consider and if thought fit, to pass with or without modification, if any, the following resolution as an SPECIAL RESOLUTION

Resolved that pursuant to the provisions of section 198, 269, 309, and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof for the time being in force) and subject to such approvals/ sanctions as may be necessary approval of the Company be and is hereby accorded to the reappointment of Shri Pradeep Rathi as Managing Director w.e.f. 01/08/2009 for a period of five years on the terms and conditions as set-out in the explanatory statement with liberty to the Board of Directors to alter or vary from time to time such terms including increase in remuneration, perquisite and allowance payable as may be considered expedient

and agreed by Shri Pradeep Rathi within the limitation contained in Schedule XIII of the Companies Act, 1956.

Place: New Delhi  
Date: 04/09/2009

By Order of Board  
N.K. Garg  
Company Secretary

#### NOTES:

1. A member entitled to attend and vote at the Annual General 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 the proxy should, however be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the meeting.
4. Members who hold shares in dematerialized form are requested to write their client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
5. The Register of Member and Share Transfer books of the company will remain closed from 25<sup>th</sup> September 2009 to 30<sup>th</sup> September 2009 (Both Days Inclusive).
6. Dividend on Equity Shares as recommended by the Board for the financial year ended on 31<sup>st</sup> March 2009 if declared at the meeting will be paid to those members whose name appear in the Register of Members as on 30<sup>th</sup> September 2009.
7. As mandated by SEBI, the company is providing Electronic Clearing Services (ECS) facility to the members whereby members are able to receive their dividend by way of electronic credit directly to their bank account. In the absence of availing of this option by the members, the company shall send warrants for disbursing dividend. Members desiring to avail of this facility are requested to provide the bank detail with photo copy of cheque for verifying the accuracy of Bank detail with MICR code number.

8. The members who are interested to avail the nomination facility may obtain the necessary application form From Registrar & Share Transfer agent.
9. All correspondence relating to the transfer and transmission, sub-division of shares, issue of duplicate share certificates, change of address, dematerialization of shares, payment of dividend etc. will be attended at the registered office of the company and shall be processed at the office of the Registrar and Share transfer agent.
10. The queries, if any, on the accounts should be sent to the company at its registered office such a way that the company will receive the same at least 10 days before the Annual General meeting.
11. Pursuant to the recommendation of SEBI committee on corporate governance about re-appointment of the retiring Directors, the relevant detail of the concerned directors are given in the report on Corporate Governance form part of the Director's Report.

**EXPLANATORY STATEMENT:**

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6

The tenure of Shri Pradeep Rathi as Managing Director expires on 31<sup>st</sup> August 2009 and he is eligible to reappoint as such. He being eligible and offers himself for re-appointment. Mr. Pradeep Rathi is a promoter Director of the Company and associated with the Company for the last 30 years. He is at the helm the affairs and has a pivotal role in running the affairs of the Company. Hence it is proposed to extend the tenure of Shri Pradeep Rathi for a further period of five years with effect from 01<sup>st</sup> August 2009. Details of his remuneration are as under:

Salary Rs. 150, 000 p.m. plus perquisites and allowances to him and his family like use of car with driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family.

The Board of Directors of the company in their meeting held on 08th August 2009 has already approved his re-appointment for a further tenure of 5 years.

The Boards recommends the resolution for your approval. Except Shri Punam Chand Rathi, no other Director is connected or interested in the resolution.

Place: New Delhi  
Date: 04/09/2009

By Order of Board  
N.K. Garg  
Company Secretary

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## DIRECTORS' REPORT

The Directors have pleasure in presenting the 38<sup>th</sup> Annual Report together with the audited accounts of the company for the year ended 31<sup>st</sup> March 2009.

## FINANCIAL RESULTS

PARTICULARS	Year Ended 31 <sup>st</sup> March 09 (Rs. In Lacs)	Year Ended 31 <sup>st</sup> March 08 (Rs. In Lacs)
Sales	79624.97	53728.42
EBITDA	5099.69	2265.57
Interest	2766.85	759.97
Depreciation	1586.67	457.63
Profit Before Tax(PBT)	746.17	1047.97
Net Profit After Tax(PAT)	1113.29	858.84
Dividend and Dividend Tax	85.31	142.20

## DIVIDEND

Keeping in view the future plans for expansion and the need to conserve resources, your directors are pleased to recommend a dividend of 3% on equity share for the year 2008-09.

## PERFORMANCE REVIEW

The Gross Sales for the financial year under review were Rs. 796.24 Crores as against Rs. 537.28 Crores for the previous financial year registering an impressive growth of 48.23%. EBITDA rose by 50% to Rs.50.99 crores as against Rs. 22.65 crores for the last year. However Profit after Tax could rise to 11.13 crores only as against 8.59 crores for the previous year. It was mainly because of higher interest and depreciation charge which went up by Rs. 21.32 Crores and 11.29 Crores respectively due to capital outlay on commissioning of Orissa project.

## FUTURE OUTLOOK:

World crude steel production reached 1329.7 million metric tons for the calendar year 2008. This is a decrease of -1.2% compared to 2007. Calendar year 2008 is the second consecutive year that world steel production has been over 1300 mmt.

Steel production declined in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2008. Worldwide steel production has shown an acceleration of negative growth from September to 2008 year end. World crude steel

output for December 2008 recorded a decrease of 24.3% compared to 2007. The EU27 produced 199 mmt of crude steel in 2008 recording a decrease of 5.3% compared to 2007. Major steel producing countries including Germany, Italy and France recorded reductions.

In Calendar year 2008, steel production in North America also decreased by 5.5% over 2007. The US production 91mmt of crude steel, a decrease of 6.8 overall, the CIS showed a decrease of 8.1% in 2008. Russia produced 69mmt of crude steel, a 5.4% reduction over 2007 while Ukraine recorded a decrease of 13.1% with year end figures of 37mmt.

However, Asia, in particular in China and the Middle East showed positive growth in 2008. Asia produced 770mmt of crude steel in 2008, 58% of world total steel production, 1.9% growth over 2007. South Korea and India recorded increase of 3.8% and 3.7% respectively. Japan produced 118mmt in 2008, a decrease of 1.2% on 2007.

Despite the strong adverse impact of global economic meltdown, Indian steel demand remains better than in many countries. The construction industry is expected to rise further due to the government's stimulus plan. The automotive sector is doing well demand of Stainless Steel product is also taking up domestically.

It is expected that domestic steel demand is going to recover soon and for the long term as well. According to the world steel Association, India's apparent steel use is forecast to reach 53.5 million tonne in 2009, a 1.7% increase from calendar year 2008 and is expected to reach 58 million tonne in 2010 an increase of 8 year on year. India is the only country globally to record a positive overall growth in crude steel production at 1.01 per cent for the period January to March 2009. According to a report from Barclay capital, china and India are going to provide the impetus for steel demand for the next few years.

The Government has announced a number of monetary and fiscal stimulus measures to real estate, housing and infrastructure sector a major consumer of long steel products. These measures are expected to boost the demand. Some of them are as under:

- For integrated township real estates developers are allowed to access ECB.
- State governments ate to release land for low and middle income housing scheme.
- Interest rates for housing loan reduced.
- Refinancing facility from RBI has been provided to National Housing Board for financing low cost housing.
- The Government of India is targeting an investment to the tune of Rs. 1000 billion in infrastructure sector over a period of next two years besides measures being taken for improving the liquidity of infrastructure sector.

- Enhanced budgetary allocation for infrastructure including Railways, Highways and Housing etc. under various schemes.

As for Ghaziabad unit that produces long products, demand from infrastructure sector in NCR is expected to be strong thereby keeping the margins / performance intact. In Orissa unit we foresee challenging times ahead as reduction in prices of Iron ore and Coal has not been in tandem with the prices of finished product viz Billets. Moreover quality of Coal available in the region is not upto mark and thereby does not allow the unit to achieve the desired capacity utilization.

We are happy to inform that your company has partly tied up the supply of coal on long term linkage basis with Mahanadi Coalfield Ltd. Balance coal is presently being procured via e-bidding process. Allotment of a coal mine in the state of Chhatisgarh has already been made. However it will take some time before mining activity takes place. We are also pleased to inform that Power purchase agreement has been signed with Government of Orissa for sale of surplus power generated by the Company. Your company's efforts are to maintain its leadership position in the Steel long products category.

#### **PUBLIC DEPOSITS**

The Company has not invited any public deposit during the year. There is no overdue/ unclaimed deposit.

#### **DIRECTORS**

In terms of Articles 116 of the Articles of Association of the Company, Shri S.K.Daga and Shri Ranjit Khattar, Director of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have confirmed that they have not incurred any disqualification under Section 274(1) (g) of the Companies Act, 1956 and they are eligible for reappointment as Directors of the Company.

#### **AUDITORS AND AUDITORS' REPORT**

M/s M. Lal & Co., Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed that their appointment, if made, would be in conformity with the limit prescribed under section 224(1B) of the Companies Act, 1956. The notes to the accounts referred to in by the Auditors are self explanatory and therefore do not calls for any further comment.

#### **PARTICULARS OF EMPLOYEE'S**

During the year under review there was no employee falling under the terms of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employee) Rules 1975.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO**

As required under the provisions narrated under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars In the Report of Board of Directors) Rules, 1988 the relevant data is attached and forming part of this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Sub Section 217 (2AA) of the companies act, 1956 the board of Directors confirms:

- That in preparation of the annual accounts for the financial year ended 31.03.2009 the applicable accounting standard had been followed along with proper explanations relating to material departure.
- That the selected accounting policies were applied consistently and the directors made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31<sup>st</sup> March 2009 and of the profit of the company for the year ended on that date.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies act 1956 for safeguarding the assets of the company and by preventing and detecting fraud and other irregularities.
- That the annual accounts of your company have been prepared on going concern basis.

#### **LISTING OF SHARES**

The Equity shares of the company are presently listed at the Mumbai Stock Exchange Limited. The Company has made a request to delist its shares from Delhi Stock Exchange Limited.

#### **CORPORATE GOVERNANCE REPORT**

Pursuant to Clause 49 of the Listing Agreement with the stock exchange, a separate section titled "compliance report on corporate governance" has been included in this Annual Report along with a certificate of compliance from the Auditors and forming part of this report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report for the year under review, as per Clause 49 of the Listing Agreement with the stock exchange is presented in a separate section forming part of the Annual Report.

#### **INDUSTRIAL RELATIONS**

The Company enjoys cordial industrial relations with the employee. The Board wishes to place on record its deep sense of appreciation of the contribution made by all the employees in ensuring high level of performance and growth during the year.

#### **ACKNOWLEDGEMENT**

The Board of Directors take this opportunity to express its gratitude and appreciation to the Banks, Central and State Government Authorities, Regulatory Authorities, Stock Exchange and the stake holders for the continued cooperation and assistance extended to the company.

For and on behalf of the Board  
Pradeep Rathi  
Managing Director

Punam Chand Rathi  
Director

Place: New Delhi  
Date: 04/09/2009

**ANNEXURE TO THE DIRECTORS' REPORT**

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009.

**A. CONSERVATION OF ENERGY**

The Company has taken a number of steps to improve the conservation of energy by increasing the efficiency of raw material inputs, by reducing/ eliminating consumption wastages. Conservation of energy and improving the efficiency of existing resources are continuing process and form an Integral part of responsibilities of department heads. Various steps taken in this direction are as follows:

(a) Energy conservation measures taken:

- Captive power plant was synchronized with State Grid and power purchase agreement made to avoid venting/wastage of steam.
- Laddle heating was converted from HSD to Furnace Oil in Steel Melting Shop
- Adopted the practice of sequence casting on the CCM thereby reducing the overall fuel consumption in pre-heating the Laddle.
- Installed oxygen storage tanks resulting into lower consumption of gas due to reduced level of wastage and evaporation losses.

- (b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy: shall be implemented as and when need arise.
- (c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods.
- (d) The per ton power consumption has been under control.

**B. TECHNOLOGY ABSORPTION**

Effort made in technology absorption is as per form B annexed.

**C. FOREIGN EXCHANGE EARNING AND OUTGO**

- (a) Activities relating to exports: initiatives taken to increase export, development of new export market for products and services and export plan.
- (b) Total foreign exchange used and earned

	2008-09	2007-08
	Amount (Rs.)	Amount (Rs.)
Used	106890965	38891885
Earned	72404086	23390445

**FORM A****Disclosure of Particulars with respect to Conservation of Energy****A. POWER AND FUEL CONSUMPTION**

	Current Year (2008-09)	Prev. Year (2007-08)
<b>1. Electricity</b>		
(a) Purchased units (KWH)	43102842	49357102
Total Amount (Rs.)	181314200	203365717
Rate/unit (Rs.)	4.23	4.12
(b) Own Generations:	<b>58695000</b>	21680000
<b>2. Coal fines</b>	54911.43	2432.51
<b>3. Gases &amp; Fuels</b>		
(a) Natural Gas/ RFO/FO/LDO	10102580	1745506.33
(b) Oxygen/ Argon/ Nitrogen Gases	230329673	29301354
(c) Natural Gas (Rs./ SCM)	14.18	10.85
(d) Oxygen Nitrogen Gases (Rs./ Lt.)	5.31	9.69
(e) Argon Gases (Rs./ Lt)	44.16	39.20
(f) F.O. (Rs./ Litre)	17.11	23.83
<b>4. Other / Internal Generation</b>	<b>NIL</b>	<b>NIL</b>
<b>B. CONSUMPTION PER MT OF PRODUCTION</b>		
Production – Steel bars (MT)	147783	128194
Electricity (KWH)	132	144
Production – SMS Unit	30433	40177.10
Electricity (KWH)	773	609
Oxygen/ Argon/ Nitrogen Gases	23.15	33521.63
Production Billets/ Sponge Iron	148771.55	46706.85
Electricity (KWH)	59.6	137.71

**FORM -B****DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

- A. RESEARCH AND DEVELOPMENT** NIL
- B. TECHNOLOGY ABSORPTION ADAPTATION & INNOVATION**
- (1) Efforts, in brief, made towards technology absorption and innovation:
- (2) Benefit derived as a result of the above effort. e.g. product improvement, cost reduction, product development, import substitution etc. These efforts have resulted in cost reduction and product improvement.
- (3) Information relating to imported technology NIL

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Board has laid down a code of conduct for its Board members & senior Management. This Code is available on the company's website. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the code of conduct of the company for the financial year ended March 31, 2009 as envisaged in Clause 49 of the Listing Agreement with the Stock Exchange.

For and on behalf of the Board

Pradeep Rathi  
Managing Director

Punam Chand Rathi  
Director

Place: New Delhi  
Date: 04/09/2009



**TO WHOM IT MAY CONCERN**

(Certificate from statutory Auditors on compliance of conditions of Corporate Governance)

To the members

Rathi Steel And Power Limited

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31<sup>st</sup> March, 2009 with the relevant records and documents maintained by the company furnished to us for our review and the report on corporate Governance as approved by the Board of Directors.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statement of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion the company has complied in all material respects with the conditions of corporate governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchange and no investor grievance(s) is/are pending for a period exceeding one month against the company as per records maintained by the shareholders/ investor grievance committee.

We further state that our examination of such compliance is neither an assurance as to viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For M. Lal & Company  
Chartered Accountants

Place: New Delhi  
Date: 4th September, 2009

M.L. Agarwal  
M.No. 11148

**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2008-09 (In Accordance with Clause 49 of the Listing Agreement entered into with Stock Exchange)**

Corporate governance is commonly referred to as a system by which organizations are directed and controlled. It is the process by which Company objective are established achieved and monitored. Corporate Governance is a reflection of the Company's culture, policies, relationship with stakeholders, commitment to values and ethical business conduct.

**1. Company's Corporate Governance Philosophy**

Rathi Steel And Power Limited's philosophy on Corporate Governance envisages working towards the highest levels of transparency, accountability, consistent value system, delegation across all facets of its operations leading to sharply focused and operationally effect growth. The business operations are conducted to benefit ijs all stakeholders, including shareholders, employee, customers, suppliers and statutory authorities.

The Company is in compliance with the requirement of the revised guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement entered in to with the Bombay Stock Exchange Limited (BSE).

**2. (a) Board of Directors**

**Composition and category of directors (as on 31<sup>st</sup> March 2009)**

The Company has an Executive Chairman and the number of Independent Directors is equal to 50% of the total numbers of Directors. As on 31<sup>st</sup> March 2009, The Company has 6 Directors on its Board, of which 3 Directors are independent. The number of Non-executive Directors is more then/ equal to 50% of the total number of Directors. The Company is in compliance with the recent amendment/ development of Clause 49 of the Listing Agreement pertaining to composition of Board of Directors.

The names and categories of the Directors on the Board along with their directorship held in other bodies corporate are as follows:

Name of Director's	Designation	Category	No of other Directorship		No.of outside Committees	
			Public	Private	Member	Chairman
Shri P.C. Rathi	Whole Time Director	Executive & Non Independent	03	Nil	Nil	Nil
Shri Pradeep Rathi	Managing Director	Executive & Non Independent	04	01	Nil	Nil
Shri S K Daga	Director	Non Executive & Independent	01	Nil	Nil	Nil
Shri Prem Narayan Varshney	Whole Time Director	Executive & Non Independent Director	Nil	Nil	Nil	Nil
Shri Ranjit Khattar	Director	Non Executive and Independent	01	02		
Shri Dwarka Das Lakhotia	Director	Non Executive and Independent	Nil	Nil	Nil	Nil

**(b) Information in case of appointment or re-appointment as required under listing agreement is given as under.**

Shri S.K.Daga, aged 55 years holds Master Degree in Mechanical Engineering and has more then 29 years of experience in the various Industries. He has been associated with the company's Board since March 2003 as a Non Executive and Independent Director.

Shri Ranjit Khattar, aged 49 years is a qualified and Practicing Chartered Accountant with more then 24 years of experience. He has worked with various organizations in the capacity of Chief Financial Officer and as a Financial Consultant. He has been on our Board of Directors as a Non Executive and Independent Director since February 2005.

**(c) Details of Board Meeting held during the financial year 2008-09**

Eleven Board meetings were held during the financial year 2008-09 and the gap between two Boards meeting did not exceed four month. The date on which the Board meetings were held as follows:

01<sup>st</sup> May 2008, 21<sup>st</sup> May 2008, 01<sup>st</sup> August 2008, 13<sup>th</sup> August 2008, 02<sup>nd</sup> September 2008, 13<sup>th</sup> October 2008, 07<sup>th</sup> November 2008, 31<sup>st</sup> December 2008, 16<sup>th</sup> February 2009, 24<sup>th</sup> February 2009 and 12<sup>th</sup> March 2009. All meetings were held at the registered office of the Company.

**(d) Details of attendance of Directors at Board Meeting and at the Annual General Meeting held during the year:**

The last Annual General Meeting was held on 30<sup>th</sup> September 2008. The attendance at Board meeting

during the year and at the last Annual General Meeting was as follows:

Name of Director's	No of Board Meeting held During the year	No of Board Meeting Attended	Last AGM attendance
Sh. P.C. Rathi	11	6	No
Sh. Pradeep Rathi	11	11	Yes
Sh. S.K. Daga	11	8	No
Sh. Prem Narayan Varshney	11	10	Yes
Sh. Ranjit Khattar	11	7	No
Sh. Dwarka Das Lakhota	11	10	Yes

### 3. Audit Committee

The Audit Committee comprises of Independent Directors in compliance of clause 49 II (A) of the Listing Agreement. Shri S.K.Daga is the Chairman of the Committee. The Chief Financial Officer and finance head along with Statutory Auditors are invitee to the meeting. The Company Secretary acts as the Secretary of the Audit Committee.

The committee meets on periodical basis and covers the matter specified for audit committee under clause 49 of the Listing agreement along with provisions contain in section 292A of the Companies Act, 1956. During the year ended 5 meeting of Audit Committee were held. The composition of the Audit Committee and the details of meetings attended by its members are given below:

Date of meeting	Shri S K Daga	Shri Ranjeet Khattar	Shri Dwarka Das Lakhota
01-05-2008	Yes	Yes	Yes
01-08-2008	Yes	Yes	Yes
13-08-2008	Yes	Yes	Yes
07-11-2008	No	Yes	Yes
16-02-2009	Yes	No	Yes

Company Secretary acts as Secretary to the Committee.

### 4. Remuneration Committee

The Remuneration committee comprise of Independent Director in compliance of Clause 49(IVE) of the Listing Agreement. Shri S.K.Daga is the Chairman of the Committee. Shri Ranjeet Khattar and Shri Dwarka Das Lakhota are other members of the Committee. The terms of reference of this Committee cover the matters specified for Remuneration Committee under clause 49 of the listing Agreement. No meeting of the committee was held during the year.

### 5. Detail of remuneration to whole time Directors

(a) (Amount in Rs.)

Shri P. C. Rathi 18,00,000

Shri Pradeep Rathi 18,00,000

Shri Prem Narayan Varshney 1,96,933

(b) Period of contract:

Shri P C Rathi 5 Years from 01<sup>st</sup> October 2007

Shri Pradeep Rathi 5 Years from 01<sup>st</sup> August 2009

Shri Prem Narayan Varshney 5 Years from 01<sup>st</sup> April 2008

(c) Details of Director's Shareholding as on 31<sup>st</sup> March 2009.

**NAME NO. OF SHARES**

Shri P. C. Rathi 394708

Shri Pradeep Rathi 336072

Shri P. N. Varshney	200
Shri D D Lakhota	NIL
Shri Ranjit Khattar	NIL
Shri S K Daga	NIL

grievances. Nevertheless, the company has constituted an Investors Grievance Committee in accordance with the requirement of Clause 49 of the listing agreement for attending the investors complaints pertaining to transfer/ transmission of shares, dividend enquiry and any other related matters. Shri S.K.Daga, Director is the Chairman of the committee. Shri Pradeep Rathi and Shri Dwarka Das Lakhota are the other members of the committee. **Total number of meeting held: Four**

**6. Investor's Grievance Committee/Shareholder's Committee**

The Company's Registrar and Share Transfer agent handle the investor grievances in consultation with secretarial department of the company. The Registrar has adequate skilled staff with potential qualification and advance computer system for speedy redressal of the investor's grievances. The total process of settlement of a complaint right from its receipt to disposal is fully computerized to ensure timely settlement. It normally takes 15 days from the date of receipt of the complaint for disposal of investor

**7. Status of Complaints for the period 01<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009**

Number of complaints received from investors (Including opening balance as on 01.04.2008)	17
Number of Complaint received	56
Number of Complaint resolved	68
Pending due to technical verification	05

**8. General Body Meetings (Detail of AGM/EGM of Shareholders)**

Date	AGM/EGM	Place of Meeting	Time
29 <sup>th</sup> Sep 06	35 <sup>th</sup> AGM	The Little Theatre Group, Next to Kamani Auditorium, Copernicus Marg New Delhi- 110001	02.00 p.m.
29 <sup>th</sup> Sep 07	36 <sup>th</sup> AGM	The Little Theatre Group, Next to Kamani Auditorium, Copernicus Marg New Delhi- 110001	10.00 a.m.
05 <sup>th</sup> Feb 08	EGM	A-3, Ind. Area South of GT Road Ghaziabad -201009	10.00 a.m.
30 <sup>th</sup> Sep 08	37 <sup>th</sup> AGM	The Little Theatre Group, Next to Kamani Auditorium, Copernicus Marg New Delhi- 110001	10.00 a.m.

Detail of special resolutions passed in the above referred meeting as under:

**Particular of AGM/EGM**

AGM held on 29<sup>th</sup> Sep 06

**Section and Purpose**

Section 314 of the Companies Act, 1956  
Revision in salary of Directors relative  
Section 314 of the Companies Act, 1956  
Revision in salary of Directors relative  
Section 314 of the Companies Act, 1956  
Revision in salary of Directors relative  
Delisting of Shares  
Delisting of shares from Delhi Stock Exchange  
Section 314 of the Companies Act, 1956

AGM held on 29<sup>th</sup> Sep 07

Alteration of Articles 101 of the Articles of Association  
Section 17, 18 and 192A of the Companies Act, 1956  
Alteration in Object Clause in Memorandum of Association  
Section 198, 269, 309, 310 of the Companies Act, 1956  
Revision in remuneration of Whole Time Director  
Section 198, 269, 309, 310 of the Companies Act, 1956  
Revision in remuneration of Whole Time Director  
Section 198, 269, 309, 310 of the Companies Act, 1956  
Revision in remuneration of Whole Time Director  
Section 314 of the Companies Act, 1956  
Revision in Salary of Directors relatives  
Section 314 of the Companies Act, 1956

EGM held on 05<sup>th</sup> Feb 08

AGM Held on 30<sup>th</sup> Sep 08

Revision in Salary of Directors relatives  
Section 314 of the Companies Act, 1956  
Revision in Salary of Directors relatives  
Section 21 of the Companies Act, 1956  
Change of name of the Company  
Section 293(1)(d) of the Companies Act 1956  
Enhancement of borrowing power of the company  
Section 81(1A) Preferential issue convertible warrants

Revision in Remuneration and Tenure of Whole  
Time Director  
Preferential issue of 105 lacs convertible warrants

During the year under review, the company did not pass any resolution by way of Postal Ballot. No Special resolution requiring Postal Ballot is proposed at the ensuing Annual General Meeting.

**9. Disclosures**

Neither has any non compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the stock exchange or SEBI or any other statutory authority on any matter related to the capital market during the last 3 years. The employees of the company are accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the Audit Committee. All the mandatory requirement of clause 49 are being complied with. Related party transactions have been disclosed in Notes on Accounts in the Financial Statements of the Company.

**10. Means of communication**

The Annual, Half Yearly and Quarterly results are communicated to Stock Exchange, where the Company's share are listed, immediately after the same are taken on record/ approved by the Board. Further the results are also published in newspapers which include, The Pioneer (English) and Veer Arjun (Hindi). Financial results are supplied through E-mail and mail to shareholders on demand. The results are also placed on the website of the Bombay Stock Exchange Limited at [www.bseindia.com](http://www.bseindia.com)

**Whether Management Discussion and Analysis is a part of Annual Report or not: Yes**

**11. General Shareholders Information**

**i) Annual General Meeting**

The next Annual General Meeting is schedule to be held at the Little Theatre Group, next to the Kamani auditorium Copernicus Marg, New Delhi- 110001 on 30<sup>th</sup> September 2009 at 10.00 a.m.

**ii) Financial Calendar for 2009-2010 (tentative)**

Financial Year ending	31 <sup>st</sup> March 2010
First Quarter Results	on or before 31 <sup>st</sup> July 2009
Second Quarter Results	on or before 31 <sup>st</sup> October 2009
Third Quarter Results	on or before 31 <sup>st</sup> January 2010
Fourth Quarter Results	on or before 30 <sup>th</sup> April 2010

**iii) Book Closure Date**

Friday 25/09/2009 to Wednesday 30/09/2009 (both days inclusive)

**iv) Dividend**

The amount of dividend for the financial year 2008-09 if declared will be deposited with the Bank with in 5 days of approval by the shareholders in the forthcoming Annual General Meeting and its payment shall be made within 30 days of its declaration.

**v) Listing of Securities**

Mumbai Stock Exchange Limited  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai- 400001

The company has made request to delist its share from Delhi Stock Exchange Ltd.

## 12. Scrip Code (BSE)

504903

## 13. Stock Price data monthly High and Low Price at BSE for the year 2008-09

Month & Year	High/Rs.	Low/Rs.	Volume(Shares)	Volume(Trades)
April 2008	28.55	21.10	466247	1726
May 2008	25.00	21.35	501318	2281
June 2008	22.45	17.05	244061	1387
July 2008	20.00	15.00	222289	1255
Aug 2008	26.10	19.00	554246	2468
Sep 2008	21.45	16.25	172678	848
Oct 2008	16.85	08.00	210141	903
Nov 2008	11.80	08.06	117376	638
Dec 2008	10.98	08.00	154759	617
Jan 2009	11.60	07.50	138776	612
Feb 2009	10.90	07.50	115824	531
Mar 2009	10.50	09.00	172371	555

14. Distribution of Shareholding as at 31<sup>st</sup> March 2009

Category(In Value)	No. of Holders	Percentage	No. of Shares	Percentage
01-5000	2312682	9.514	13929	81.385
5001- 10000	1520424	6.255	1866	10.903
10001-20000	1201669	4.943	768	4.487
20001-30000	431378	1.775	167	0.976
30001-40000	252755	1.040	70	0.409
40001-50000	349176	1.436	74	0.432
50001-100000	749768	3.084	103	0.602
100001 and above	17490259	71.952	138	0.806

15. Shareholding pattern as on 31<sup>st</sup> March, 2009

Description	No. of Shares	Percentage (%)
Promoters	10145857	41.74
Mutual Fund	751245	3.09
Financial Institution/ Banks	2963244	12.19
Foreign Institutional Invest.	Nil	Nil
Bodies Corporate	2034536	8.37
Individuals	7982397	32.84
NRi	309566	1.27
Clearing Members	121266	0.50
<b>Total</b>	<b>24308111</b>	<b>100.00</b>

## 16. Share transfer system:

Share transfer are registered and returned within the stipulated period if the documents are complete in all respects.

**17. Dematerialization of Equity Shares**

As at 31<sup>st</sup> March 2009, 95.56% equity capital was held in Electronic form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Normally request for dematerialization of shares are processed and confirmed within 21 days of receipt to NSDL and CDSL.

**18. Plant locations :**

Works :	Address
Ghaziabad	A-3 and C-4 Industrial Area Ghaziabad- 201009
Orissa	Vill. Potapali and Sikirdi, Dist. Sambalpur (Orissa)

**19. Address for correspondence**

Rathi Steel And Power Limited  
(Secretarial Department)  
24/1A, Mohan Co-operative Industrial Estate,  
Mathura Road, New Delhi- 110044  
Contact No. 011- 40512426-28  
Fax: 011-40512425

Intime Spectrum Registry Limited  
Unit: Rathi Steel And Power Limited  
A-31, 3<sup>rd</sup> Floor, Naraina Industrial Area  
Phase-II, Near PVR Cinema New Delhi- 110028  
Ph: 011- 41410592, Fax 011- 41410591

**20. Contact Person & Email ID :**

Shri N. K. Garg, Company Secretary and Compliance Officer (E-mail ID: Investors@rathisteelandpower.com)

**DECLARATION BY THE CHAIRMAN UNDER CLAUSE 49(1D) OF THE LISTING AGREEMENT**

I hereby confirm that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of conduct and Senior Management, as approved by the Board, for the financial year ended March 31, 2009

New Delhi  
04/ 09/2009

Pradeep Rathi  
Managing Director

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FORWARD-LOOKING STATEMENTS**

This report contains forward looking statement which may be identified by their use of words like plans, expects, will, anticipates, believes, intends, projects, estimates or others words or similar meaning. All statements that address expectations or projections about the future including, but not limited to statement about the company's strategy for growth product development, market position, expenditure and financial results are forwarding looking statement. Forward looking statements are based on certain assumption and expectation of future events. The company cannot guarantee that these assumptions and expectation are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent developments, information or events.

### **BUSINESS REVIEW AND OUTLOOK**

India's economy is largely domestic consumption led and accordingly it has been less affected by the deceleration in global economic growth when compared to other countries. Exports account for 14% of GDP, while much of its growth is based on services, 54% of GDP.

Nevertheless, the economic slowdown in the country started to surface in late 2008. GDP in the Q4 of 2008 grew at 5.3%YoY compared to 8.9%YoY for the same period in 2007. However, agriculture decreased by 2.2% in the Q3 of 2008, in comparison to the growth of 6.9% in the same period of 2007. Construction sector declined slightly with a growth of 6.7% in the Q3 as compared to the growth of 9% in 2008. There has been a decline in the growth of production index to 3% for the period of April to December 2008, in comparison to 8.7% registered for same period of the previous year.

The economic growth forecast made by the Prime Minister's Economic Advisory Council was 7.1% for fiscal year 2009. IMF, in its World Economic Outlook, estimated India's GDP growth at 5.1%.

The current economic turmoil has dented the growth curve of various industries such as construction, which, in turn, has hit the Indian steel industry hard. But with the government's plans to boost up the economy by injecting funds in various industries like infrastructure, construction, automobile and power, growth is well expected in near future.

Hence, it is expected that domestic steel demand is going to recover soon and for the long term as well. According to the World Steel Association, India's apparent steel use is forecasted to reach 53.5 million tonne in 2009, a 1.7% increase from 2008 and is expected to reach 58 million tonne in 2010 an increase of 8% YoY.

Capacity expansion projects are still on track. Although some projects have been delayed, there have been no announcements of cancellation of major projects.

Steel producers in India are, however, not immune to the global economic downturn and have instituted production cuts. According to the World Steel Association, crude steel production in India registered a slowdown in the Q4 of 2008 with a growth rate of 0.3% and dropped significantly in the first two months of 2009 to 8.67 million tonne, a decline of 8%YoY.

However, due to a rising demand in the country, steel producers are expected to return to normal operations very soon.

Ghaziabad unit manufactures stainless steel and long products. Outlook of stainless steel appears to be encouraging. With the anticipated growth of construction industry owing to Government's stimulus plan, demand for your company's products from Ghaziabad unit is expected to remain stable. However, in Orissa unit we foresee challenging time ahead as prices of Iron ore and Coal have not come down in tandem with the price of Billets. Quality of Coal available in the region is also not upto mark which restricts the unit to achieve the capacity utilization at desired levels.

### **INTERNAL CONTROL AND ADEQUACY SYSTEM**

Your company has adequate internal control systems commensurate with the size and nature of the business which are supplemented by an extensive programme of internal audits, reviews by management and documented policies, guidelines and procedures to provide reasonable assurance that all assets are safeguarded transactions are authorized, recorded and reported properly. Your company has proper budgeting system and the actual performance is continuously evaluated and the corrective measures are taken from time to time.

### **OPPORTUNITIES AND THREATS**

Although India consumes less steel as compared to other Asian countries, it was ranked the fifth major crude steel producer in the world in 2008. Thus, the country offers vast scope for the steel industry in future.

However, the current economic turmoil has dented the growth curve of various industries such as construction, which, in turn, has hit the Indian steel industry hard. But with the government's plans to boost up the economy by injecting



funds in various industries like infrastructure, construction, automobile and power, growth is well expected in near future. There is a growing acceptability of Indian steel in the international markets. There is a tremendous scope for export of steel.

Fluctuating prices of raw materials and availability of consistent quality remains a matter of concern. Raw materials costs have come down but not in tandem with the prices of finished goods. So currently the company is exposed to the vulnerability of the market. Fluctuating prices of Iron Ore pose a threat to the bottom line of the company. The company is looking at various options for getting the supply of Iron ore on long term basis as the company does not own Iron Ore mines as yet. As regards coal, the company has tied up the supply of coal on long term linkage basis with Mahanadi Coalfields Ltd. but this also will cater to our requirement for partially. Thus the Company is still dependent on coal purchase via e-auctions. Therefore, supply of coal of consistent quality remains a challenge. The company has already received a letter of allotment of coal mines but it will take some time before the mining activity begins.

#### **TECHNOLOGY**

The Company is adopting latest technologies available and made applicable in rolling mills world-wide and, therefore, diversified into manufacture of TMT steel bars by adopting THERMEX® technology under technical collaboration with Hennigsdorfer Stahl Engineering GmbH, Germany. The technology is proven and well tested worldwide. The TMT bars are recommended for use in earthquake prone areas. The company is also successfully operating the NO TWIST BLOCK MILL to roll value added steel wire rods. The state of the art facilities to manufacture stainless steel have also been successfully operating at Ghaziabad.

For Orissa project the technical know how for the sponge iron process has been supplied by Orissa Sponge Iron Limited. The company has procured equipment and machinery from the most renowned manufactures for power plant and the steel melting shop.

#### **DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The overall operational performance of your company has been satisfactory both in terms of production and sales as well as compared to the figures for previous year. Considering the recession in the economic slow down and fluctuation in the raw material prices, the company has done fairly well in terms of profitability too. During the year under review, Orissa Plant had first full year of operations and

experienced initial teething troubles as faced by any other start up plant. However, production was at satisfactory level. Sales for the financial year under review went up to Rs. 796.24 crores from Rs. 537. 28 crores for the previous financial year registering a growth of 48.23 %. EBITDA of Rs. 50.99 crores for the financial year under review was higher by 50 % as against Rs. 22.65 crores for the previous financial year. However, interest and depreciation cost rose significantly on account of expansions and general hike in the interest rates.

#### **MATERIAL DEVELOPMENT IN HUMAN RESOURCES INDUSTRIAL RELATIONS FRONT**

Increase in value of Human Capital through development of individual and collective skill and knowledge is essential for any company for its continuous growth. Your company implements in-house programs for skill development and updating of competency of its employees on a continuous basis.

Your company lays great emphasis on building a motivated work force, which can participate constructively in the growth of the company. The company continues to focus on the Safety, Health, Training and Development of the employees.

#### **STATUTORY COMPLIANCE**

A declaration regarding compliance with the provisions of the various statutes is being made at every meeting of the Board of Directors. The Company Secretary, as Compliance officer, ensures compliance with the SEBI regulations and provisions of the Listing Agreement.

#### **INDUSTRIAL RELATIONS**

The industrial relations in the Company with the workers at all levels are very cordial and are expected to remain cordial in future as well. The Management acknowledges the contribution of all employees in achieving the record performance.

#### **CAUTIONARY STATEMENT**

Statement in the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations may be forward looking statement within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions in the domestic markets in which the company operates changes in the Government regulations, tax laws, and other statutes and other incidental factors.

## AUDITOR'S REPORT

We have audited the attached Balance Sheet of **M/s RATHI STEEL AND POWER LIMITED (formerly Rathi Udyog Limited)**, as at **31<sup>st</sup> March, 2009** and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### A. We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representation received from the directors as on 31<sup>st</sup> March, 2009 and taken on record by the Board of directors we report that none of directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009 and
- ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date and
- iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

**B.** As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (herein referred to as "the Order") issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, we further report that:-

### 1. In respect of fixed assets:

- a) The company has been maintaining details showing full particulars, including quantitative details of fixed assets.
- b) We have been informed that physical verification of fixed assets has been conducted by the management at reasonable intervals and no material discrepancies have been noticed by them.
- c) No part of the fixed assets has been disposed off during the year.

### 2. In respect of inventories

- a) According to the information and explanations given to us, the physical verification has been conducted at reasonable intervals by the management of the stock of stores. The physical verification of finished goods and raw material has been done on estimation basis, from time to time, due to the nature of the business and the cost involved and no discrepancies have been found.
- b) In our opinion, the procedures of physical verification of stocks followed by the management, is commensurate with the size of the company and nature of its business.

- c) Having regard to the size of operations, no material discrepancies have been noticed on physical verification as compared to books and accounts and minor discrepancies found, have been properly dealt with in the books of accounts

### 3. According to information and explanation given to us:

- a) The company has not taken or granted loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same management as defined under sub-section (1b) of Section 370 of the Companies Act, 1956.
- b) No interest has been paid on such loans and prima facie these are not prejudicial to the interest of the company.

- c) Loans and advances in the nature of loans to staff, given by the company, stipulate the consideration regarding the terms of repayment and the same are being recovered accordingly.
- d) No time period has been stipulated on the loans taken by the company.
4. In our opinion and according to information and explanation given to us, there are internal control procedures commensurate with the size of the company and the nature of its business.
5. According to the information and explanations given to us, the company has entered into contract or arrangement for purchase and sale of goods and materials with parties entered in the registers maintained under Section 301 aggregating during the year to Rs.5,00,000 or more, at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the company has complied with the provisions of Section 58A of the Companies Act, 1956.
7. The company has an internal audit system commensurate with the size and nature of business.
8. No cost record has been prescribed under Section 209 (1) (d) of the Companies Act, 1956.
9. According to the information and explanations given to us in respect of statutory and other dues:
- a) According to books and records as produced and examined by us and as per information and explanations given to us, undisputed statutory dues in respect of Provident Fund, Employees State Insurance contributions, Income Tax, Sales Tax, Excise Duty, Cess and other statutory dues have been regularly deposited during the year with appropriate authorities.
- b) According to books and records as produced and explanation given to us, there are no un-stayed disputed statutory dues.
10. Company does not have accumulated losses at the end of the financial year. Company has not incurred cash losses during the year covered by report and in the financial year immediately preceding the year covered by the report.
11. In our opinion and according to the information and explanations given to us, the company had not defaulted in repayment of dues to banks.
12. According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund, nidhi or a mutual benefit fund / society.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures, except in long term investments in shares and has been held by the company in its own name.
15. According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.
17. According to the information and explanations given to us, no funds raised on short-term basis have been used for long term investment. Similarly, no funds raised on long-term basis have been used for short term investment.
18. The company has not made any preferential allotment of shares during the year.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year on or by the company.

**For M. Lal & Co.  
Chartered Accountants**

**M. L. Agarwal  
M.No.11148**

Place: New Delhi  
Date: 4th, September, 2009

# RATHI STEEL AND POWER LTD.

## BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	SCHEDULE	AS AT 31.03.2009 AMOUNT (Rs.)	AS AT 31.03.2008 AMOUNT (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds:</b>			
Share Capital	A	258,481,110	243,081,110
Reserves & Surplus	B	1,218,757,070	1,115,959,333
<b>Loan Funds:</b>			
Secured Loans	C	3,072,415,978	2,396,170,856
Unsecured Loans	D	106,057,485	178,057,485
Deferred Tax Liability		67,076,572	113,597,209
<b>TOTAL</b>		<b>4,722,788,215</b>	<b>4,046,865,993</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	E	3,552,355,919	3,018,540,255
Less: Depreciation		393,338,374	236,139,051
<b>Net Block</b>		<b>3,159,017,545</b>	<b>2,782,401,204</b>
Capital Work in Progress		97,593,385	41,534,458
<b>Investments</b>	F	<b>9,470,997</b>	<b>9,470,997</b>
<b>Current Assets, Loans and Advances:</b>			
Inventories	G	1,169,223,743	891,773,528
Sundry Debtors	H	425,015,839	390,938,191
Cash and Bank Balances	I	121,048,848	60,192,728
Loans & Advances	J	476,401,503	398,694,964
		2,191,689,933	1,741,599,411
Less: Current Liabilities and Provisions	K	734,983,645	528,140,077
<b>Net Current Assets</b>		<b>1,456,706,288</b>	<b>1,213,459,334</b>
<b>TOTAL</b>		<b>4,722,788,215</b>	<b>4,046,865,993</b>
Significant Accounting Policies and Notes on Accounts	Q		

Schedules referred to herein form an integral part of the financial Statements

As per our Report of even date  
For M. LAL & CO.  
Chartered Accountants

P. C. Rathi Pradeep Rathi  
Director Managing Director

N K Garg  
Company Secretary

Y K Agrawal  
C.F.O.

M. L. AGRAWAL  
M. No. 11148

PLACE : NEW DELHI  
DATED : 04th September 2009

ASHOK GOEL  
General Manager (Accounts)

# RATHI STEEL AND POWER LTD.

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	SCHEDULE	YEAR ENDING 31.03.2009 AMOUNT (Rs.)	YEAR ENDING 31.03.2008 AMOUNT (Rs.)
<b>INCOME:</b>			
Income From Operations		7,962,497,385	5,372,841,466
Miscellaneous Income	L	10,062,524	3,872,896
Increase(+)/decrease(-) in Stock		(40,603,656)	256,573,567
<b>TOTAL:</b>		<b>7,931,956,253</b>	<b>5,633,287,929</b>
<b>EXPENDITURE:</b>			
Manufacturing Expenses	M	7,170,239,620	5,265,919,760
Administrative Expenses	N	108,199,066	82,718,825
Selling Expenses	O	118,049,711	45,149,268
Interest & Finance Charges	P	302,184,022	88,940,464
Depreciation		158,667,709	45,762,545
<b>TOTAL:</b>		<b>7,857,340,128</b>	<b>5,528,490,862</b>
<b>PROFIT BEFORE TAX</b>		<b>74,616,125</b>	<b>104,797,067</b>
Less : Provision for Tax :			
- Current Tax		8,454,000	11,660,000
- Fringe Benefit Tax		1,376,695	805,000
- Tax for earlier years		(23,452)	(942,527)
- Deferred Tax		(46,520,637)	7,390,399
<b>PROFIT AFTER TAX</b>		<b>111,329,519</b>	<b>85,884,195</b>
Profit brought forward from previous year		193,056,570	141,392,012
<b>Profit Available For Appropriation</b>		<b>304,386,089</b>	<b>227,276,207</b>
<b>APPROPRIATIONS :</b>			
Proposed Dividend		7,292,433	12,154,055
Tax on Proposed Dividend		1,239,349	2,065,582
Transfer to General Reserve		20,000,000	20,000,000
Balance carried to Balance Sheet		275,854,307	193,056,570
		<b>304,386,089</b>	<b>227,276,207</b>
<b>Basic and diluted Earnings per Equity Share</b>		<b>4.58</b>	<b>3.53</b>

Significant accounting policies and notes on accounts

Q

Schedules referred to herein form an integral part of the financial Statements

As per our Report of even date  
For M. LAL & CO.  
Chartered Accountants

P. C. Rathi Pradeep Rathi  
Director Managing Director

N K Garg  
Company Secretary

Y K Agrawal  
C.F.O.

M. L. AGRAWAL  
M. No. 11148

PLACE : NEW DELHI  
DATED : 04th September 2009

ASHOK GOEL  
General Manager (Accounts)

# RATHI STEEL AND POWER LTD.

## SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	SCHEDULE	AS AT	
		31.03.2009 AMOUNT (Rs.)	31.03.2008 AMOUNT (Rs.)
<b>SCHEDULE - A : SHARE CAPITAL</b>			
<b>AUTHORISED:</b>			
50000000 (50000000) Equity Shares of Rs.10/- each.		500,000,000	500,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID-UP:</b>			
24308111 Equity Shares of Rs.10/-each fully paid		243,081,110	243,081,110
Convertible Warrant Application Money		15,400,000	
	<b>TOTAL</b>	<b>258,481,110</b>	<b>243,081,110</b>
<b>SCHEDULE - B : RESERVES &amp; SURPLUS</b>			
Share Premium		808,421,479	808,421,479
Share Forfeiture		521,438	521,438
Revaluation Reserve		19,025,530	19,025,530
<b>General Reserve:</b>			
As per last Balance Sheet	94,934,316		74,934,316
Add : Transferred from Profit & Loss Account	20,000,000	114,934,316	20,000,000
Balance in Profit & Loss Account		275,854,307	193,056,570
	<b>TOTAL</b>	<b>1,218,757,070</b>	<b>1,115,959,333</b>
<b>SCHEDULE - C : SECURED LOANS</b>			
<b>A. TERM LOANS</b>			
From Banks		1,655,526,301	1,757,141,195
Interest Accrued and Due		15,409,177	14,403,754
<b>B: WORKING CAPITAL FACILITIES</b>			
From Banks		902,446,192	468,683,535
<b>C: CORPORATE LOAN</b>			
From Bank		470,000,000	150,000,000
Interest accrued and dues		23,33,425	20,88,880
<b>D: VEHICLE LOANS</b>			
From Banks		5,356,358	3,599,663
From Others		21,344,525	253,829
	<b>TOTAL</b>	<b>3,072,415,978</b>	<b>2,396,170,856</b>
<b>Notes :-</b>			
1	Term Loans from Banks are secured by :		
a	First Pari- Passu charge on Fixed Assets of the company		
b	Second Pari-Passu charge on Current Assets of the company,		
c	Personal guarantee of Promoter Directors and their relatives		
2	Working capital facilities from Banks are secured by :		
a	First Pari- Passu charge on Current Assets of the company,		
b	Second Pari-Passu charge on Fixed Assets of the company,		
c	Personal guarantee of Promoter Directors and their relatives		
3	Corporate loan is secured by first Pari-Passu charge on the Fixed Assets and second pari passu charge on current assets of the company(both present and future) and personal guarantee of Promoter/ Directors.		
4	Vehicle/Equipment Loans are secured by the hypothecation of specific assets.		
<b>SCHEDULE - D : UNSECURED LOANS</b>			
Unsecured Loans		104,900,000	176,900,000
Security Deposit from Dealers		1,157,485	1,157,485
	<b>TOTAL</b>	<b>106,057,485</b>	<b>178,057,485</b>

# RATHI STEEL AND POWER LTD.

**SCHEDULE-E**

PARTICULARS	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K			
	As at 01.04.2008 (Rs.)	Addition during the year (Rs.)	Sales/ Adjustment (Rs.)	As at 31.03.2009 (Rs.)	Upto 31.03.2008 (Rs.)	Adjustment (Rs.)	For the Year (Rs.)	Total Upto 31.03.2009 (Rs.)	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
<b>FIXED ASSETS</b>										
Land Leasehold	49,024,443	380,068	-	49,404,511	-	-	-	-	49,404,511	49,024,443
Boundary Wall	173,896	-	-	173,896	132,660	-	5,808	138,468	35,428	41,236
Building	497,196,326	40,738,708	-	537,935,034	5,019,613	-	17,150,120	22,169,733	516,765,301	492,176,713
Plant & Machinery	2,437,017,693	488,028,222	-	2,925,045,915	216,025,634	-	137,758,706	353,784,340	2,571,261,575	2,220,992,059
Furniture Fixtures	7,322,674	383,734	-	7,706,408	2,593,782	-	472,087	3,065,869	4,640,539	4,728,892
Office Equipment	2,906,616	527,097	-	3,433,713	438,010	-	158,244	596,254	2,837,459	2,468,606
Vehicles	20,675,645	5,221,349	3,135,958	22,761,036	9,811,207	1,468,366	2,283,007	10,625,828	12,135,208	10,864,438
Computers	4,222,962	1,672,444	-	5,895,406	2,118,145	-	839,737	2,957,882	2,937,524	2,104,817
<b>TOTAL</b>	<b>3,018,540,255</b>	<b>538,951,622</b>	<b>3,135,958</b>	<b>3,552,365,919</b>	<b>236,136,051</b>	<b>1,468,366</b>	<b>158,687,709</b>	<b>393,338,374</b>	<b>3,159,017,545</b>	<b>2,782,401,208</b>
Previous Year	825,761,249	2,193,662,787	883,781	3,018,540,255	190,993,837	617,331	45,762,545	236,139,051	2,782,401,204	634,767,412

## RATHI STEEL AND POWER LTD.

PARTICULARS	AS AT 31.03.2009 AMOUNT (Rs.)	AS AT 31.03.2008 AMOUNT (Rs.)
<b><u>SCHEDULE - F : INVESTMENTS (LONG TERM):</u></b>		
<b><u>QUOTED (AT COST)</u></b>		
Bank of Baroda 53,127(53,127) Equity Share of Rs.10 each	9,319,210	9,319,210
State Bank of Bikaner & Jaipur 185(185) Equity Shares of Rs.100/- each	99,900	99,900
Focus Industrial Resources Ltd. 4000(4000) Equity Shares of Rs. 10/- each (Market Value not ascertainable as share is not being traded for a long period)	20,086	20,086
<b><u>UNQUOTED (AT COST)</u></b>		
M/s Moradabad Syntex Ltd. 20000 Equity Shares of Rs.10/- each (Under liquidation)	1	1
M/s Lynx Traders & Export Ltd. 3350 Equity Shares of Rs.10/- each	33,500	33,500
M/s First Financial Services Ltd. 1000 Equity Shares of Rs.10/- each	10,000	10,000
	<b>9,482,697</b>	<b>9,482,697</b>
Less: Prov. for diminution in value of investments	11,700	11,700
<b>TOTAL</b>	<b>9,470,997</b>	<b>9,470,997</b>
(Aggregate market value of quoted investments as on 31st Mar, 09 is Rs.12497225/- (Previous Year 16007385/-)		
<b><u>SCHEDULE - G : INVENTORIES:</u></b>		
(As Taken Valued and Certified by the Management)		
Raw Material (including goods in transit Rs.176621597/- Previous Year Rs. Nil) - At cost	676,844,085	384,825,211
Stores & Spare Parts - At cost	42,835,695	16,433,716
Oil & Fuel - At cost	2,028,191	2,395,173
Finished Goods - At lower of cost or market value	404,671,016	488,119,428
Work in Process	13,500,000	
Semi Finished Goods	29,344,756	
<b>TOTAL</b>	<b>1,169,223,743</b>	<b>891,773,528</b>
<b><u>SCHEDULE - H : SUNDRY DEBTORS:</u></b>		
(Unsecured)		
Outstanding for a period exceeding Six Months		
-Considered Good	49,805,671	31,943,280
-Considered Doubtful		299,472
Less: Provision		-299,472
Others	375,210,168	358,994,911
<b>TOTAL</b>	<b>425,015,839</b>	<b>390,938,191</b>



## RATHI STEEL AND POWER LTD.

PARTICULARS	AS AT 31.03.2009 AMOUNT(Rs.)	AS AT 31.03.2008 AMOUNT (Rs.)
<b>SCHEDULE - I : CASH AND BANK BALANCE:</b>		
Cash in Hand	6,640,741	2,160,722
Balance with Scheduled Banks:		
In Current Accounts	73,689,726	5,277,370
In Fixed Deposit	90,000	
In Fixed Deposit (as margin money for BG/LC)	36,906,572	50,050,772
Interest Accrued but not due on FDRs	3,721,809	2,703,864
<b>TOTAL</b>	<b>121,048,848</b>	<b>60,192,728</b>
<b>SCHEDULE - J : LOANS &amp; ADVANCES:</b>		
(Unsecured-Considered Good unless otherwise stated)		
Advances Recoverable in Cash or Kind or Value to be received	311,740,886	206,155,297
Advance to others-		
-Considered Doubtful	337,500	337,500
Less: Provision for Doubtful	337,500	337,500
Security Deposits	37,561,522	30,426,800
Earnest Money Deposit:		
-Considered Good	1,675,240	1,686,128
-Considered Doubtful	150,000	150,000
Less: Provision for Doubtful	(150,000)	150,000
Duties & Taxes Recoverable	123,122,903	160,426,739
Advance Income Tax (Net)	2,300,952	-
<b>TOTAL</b>	<b>476,401,503</b>	<b>398,694,964</b>
<b>SCHEDULE - K : CURRENT LIABILITIES &amp; PROVISIONS:</b>		
<b>CURRENT LIABILITIES:</b>		
Trade Creditors and Other Liabilities	718,132,159	495,038,731
Contracts / Supplier Retention	8,319,704	16,413,344
<b>PROVISIONS:</b>		
Dividend (including CDT)	8,531,782	14,219,637
For Taxation	-	2,468,365
For FBT	-	-
<b>TOTAL</b>	<b>734,983,645</b>	<b>528,140,076</b>

# RATHI STEEL AND POWER LTD.

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNTS

PARTICULARS	AS AT	
	31.03.2009 AMOUNT(Rs.)	31.03.2008 AMOUNT (Rs.)
<b>SCHEDULE - L : MISCELLANEOUS INCOME:</b>		
Dividend Received (Long Term)	443,516	177,881
Insurance Claim Received	4,974,307	538,159
Miscellaneous Income	423,803	-
Notice Period Salary	72,385	-
Interest Earned (Gross)	3,339,495	2,707,324
Exchange Fluctuations	568,764	112,457
Excess Provision/Misc balances Written Back	240,254	337,075
<b>TOTAL</b>	<b>10,062,524</b>	<b>3,872,896</b>
<b>SCHEDULE - M : MANUFACTURING EXPENSES:</b>		
Raw Material Consumed	6,282,571,643	4,421,204,165
Purchases	37,257,315	69,200,996
Power & Electricity Charges	208,469,085	203,353,717
Oil & Fuel Consumed	208,623,556	210,745,874
Stores Consumed	135,436,916	81,350,372
Wages	12,147,112	37,242,231
Contractors' Wages	11,370,061	19,456,387
Employer's Contribution to PF	679,016	584,891
Excise Duty	243,526,542	190,630,693
Royalty	461,330	511,029
Repair to Plant & Machinery	16,122,278	1,764,981
Consultation Charges	214,762	210,325
Rolling charges paid	10,037,685	29,664,099
Tools & Equipment Exp	720,594	-
Water Charges & Tax	1,504,840	-
Laboratory Expenses	1,096,885	-
<b>TOTAL</b>	<b>7,170,239,620</b>	<b>5,265,919,760</b>
<b>SCHEDULE - N : ADMINISTRATIVE EXPENSES:</b>		
Salary & Allowances	54,165,313	14,117,888
Employer's Contribution to PF	2,893,229	589,021
Directors' Remuneration	3,786,000	3,761,715
Directors' Travelling	575,100	637,636
Staff Travelling	5,265,288	1,840,893
Rates and Taxes	1,320,243	243,271
Auditors' Remuneration	400,000	400,000
Lease Rent	2,305,800	1,065,041
Legal & Professional Charges	3,738,975	3,210,698
Vehicle Maintenance	511,320	292,564
Printing & Stationery	1,487,154	513,155
Postage, Telegram & Telephone Expenses	3,862,874	2,284,589
Repair & Maintenance - Other	2,946,155	176,820
Repair & Maintenance - Building	163,080	29,217
Miscellaneous Expenses	4,546,551	2,592,404
Insurance Charges	3,559,603	1,953,720
Wealth Tax	75,110	45,000
Donation	541,904	-
Loss on Sale of Assets	850,072	66,944
Security Charges	4,810,170	116,333
Guest House Expenses	697,709	19,493
Medical Expenses A/c	885,377	31,863
Transportation Charges	7,241,282	3,806
Staff Welfare A/c	1,570,757	49,968
Share Issue/Preliminary exp. Written Off	-	48,676,786
<b>TOTAL</b>	<b>108,199,066</b>	<b>82,718,825</b>

# RATHI STEEL AND POWER LTD.

PARTICULARS	AS AT 31.03.2009 AMOUNT(Rs.)	AS AT 31.03.2008 AMOUNT (Rs.)
<b>SCHEDULE - O : SELLING EXPENSES:</b>		
Advertisement and Sales Promotion	2,446,662	417,516
Consignment Commission & Expenses	14,947,816	21,655,143
Freight	100,353,179	22,524,387
Testing Charges	302,054	552,222
<b>TOTAL</b>	<b>118,049,711</b>	<b>45,149,268</b>
<b>SCHEDULE - P : INTEREST AND FINANCE CHARGES:</b>		
Interest on Term Loan & Others:		
i. On Term Loan	187,887,870	33,231,252
ii. On Working Capital & Car Loan	87,596,057	22,346,873
iii. Interest to Others	1,201,592	20,419,434
Bank Charges	25,498,503	75,997,559
<b>TOTAL</b>	<b>302,184,022</b>	<b>12,942,905</b>
		<b>88,940,464</b>

# RATHI STEEL AND POWER LTD

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART-III OF SCHEDULE-IV OF THE ACT

<b>1. Registration Details:</b>				
Registration Number	5905			
State Code	55			
Balance Sheet	DD	MM	YYYY	
	31	03	2009	
<b>2. Capital raised during the year:</b>				
(Amount in Rs. Thousands)	<b>Public</b>	<b>Rights</b>	<b>Bonus</b>	<b>Private</b>
	<b>Issue</b>	<b>Issue</b>	<b>Issue</b>	<b>Placement</b>
	Nil	Nil	Nil	Nil
<b>3. Position of mobilisation and development of funds:</b>				
(Amount in Rs. Thousands)	<b>Total Liabilities</b>		<b>Total Assets</b>	
	4,722,788		4,722,788	
<b>Source of Funds:</b>	Paid-up Capital		Reserves & Surplus	
	258,481		1,218,767	
	Secured Loans		Unsecured Loans	
	3,072,416		106,057	
	Deferred Tax			
	67,077			
<b>Application of Funds:</b>	Net Fixed Assets		Investments	
	3,256,611		9,471	
	Net Current Assets		Misc. Expenditure	
	1,456,706		NIL	
	Accumulated Losses			
	NIL			
<b>4. Performance of Company:</b>				
(Amount in Rs. Thousands)	Turnover		Total Expenditure	
	7,962,497		7,897,944	
	Profit before Tax		Profit after IncomeTax and Deferred Tax	
	74,616		111,330	
	Earning per share in Rs.		Dividend Rate %	
	4.58		3	
<b>5. Generic names of three principal products of Company:</b>				
1. Item Code				
Product Description	N.A.			
2. Item Code	NIL			
Product Description	NIL			
3. Item Code	NIL			
Product Description	NIL			

As per our Report of even date  
For M. LAL & Co.  
Chartered Accountants

P.C. Rathi  
Director

Pradeep Rathi  
Managing Director

M.L. AGRAWAL  
M.No. 11148

Place: New Delhi  
DATED : 04th September 2009

# RATHI STEEL AND POWER LTD

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	(Rs. in Lacs)	
	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	746.16	1047.97
<b>Adjustments for :</b>		
Depreciation	1586.68	457.63
Loss on Sale of Assets	8.50	0.67
Interest Paid	2766.86	1432.08
Preliminary Expenditure w/off		486.77
Insurance Claim Received	(49.74)	(5.38)
Misc. Balance written off	(2.40)	(3.37)
Dividend income	(4.44)	(1.78)
Interest income	(33.39)	(27.07)
<b>Operating profit before working capital changes:</b>	<b>5018.23</b>	<b>3387.52</b>
<b>Adjustments for:</b>		
Increase in Trade receivables	(340.78)	(1144.29)
Increase in inventories	(2774.50)	(4831.60)
Increase in Loans & Advances	(777.07)	(1019.27)
Increase in trade payables & other liabilities	2070.84	1214.48
<b>Cash Generated from Operation</b>	<b>3196.71</b>	<b>(2393.16)</b>
Less: Income Tax paid (net)	<u>98.07</u>	<u>91.02</u>
<b>Net cash from operating activities:</b>	<b>3098.64</b>	<b>(2484.18)</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(5369.52)	(22423.40)
Change in Capital Work in Progress	(560.59)	14530.75
Dividend income	4.44	1.78
Sales of Assets	8.18	2.00
Change in advance against Capital Goods		-
Insurance claim	49.74	5.38
Interest income	33.39	27.07
<b>Net cash used in Investing activities:</b>	<b>(5834.36)</b>	<b>(7856.42)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Share Capital(including Premium)	154.00	-
Receipt of Long Term Borrowings	5666.91	6688.47
Payment of Long Term Borrowing	(3242.09)	(501.94)
Increase/(Decrease) in Short Term Borrowing	4337.63	4242.48
Increase/(Decrease) in Unsecured loans	(720.00)	1716.50
Dividend tax	(12.39)	(20.66)
Dividend paid	(72.92)	(121.54)
Interest Paid	(2766.86)	(1432.08)
<b>Net increase in cash and cash equivalents</b>	<b>3344.28</b>	<b>10571.23</b>
Opening cash and cash equivalents	808.56	230.63
Closing cash and cash equivalents	601.93	371.30
	1210.49	601.93

As per our Report of even date attached  
For M. LAL & CO.

Chartered Accountants  
M. L. AGRAWAL  
M. No. 11148

P. C. Rathi      Pradeep Rathi      N K Garg  
Director      Managing Director      Company Secretary

Y K Agrawal  
C.F.O.

PLACE : NEW DELHI

ASHOK GOEL

DATED : 04th September 2009

General Manager (Accounts)

## SCHEDULE - Q

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES:

- a) **System of Accounting:** The Company follows the mercantile system of accounting, recognizing income and expenditure on accrual basis. The accounts are prepared on historical cost basis (except revaluation of certain fixed assets) and as a going concern. Accounting policies not referred to specifically otherwise, are consistent with generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- b) **Fixed assets and depreciation accounting:**
  - i) Fixed assets are accounted for at cost of acquisition, inclusive of freight, duties, taxes, erection, installation and other incidentals related to acquisition and exclusive of CENVAT recoverable on purchase of capital goods. Capital work in progress includes capital advances to suppliers.
  - ii) Depreciation on additions/deductions has been calculated on day-to-day basis.
  - iii) Depreciation on fixed assets is provided on straight line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956.
  - iv) Leasehold land at Ghaziabad unit has been revalued as on 31<sup>st</sup> March, 1992.
- c) Investments are stated at cost. Permanent diminution in the carrying cost is provided.
- d) Impairment, if any, is recognized where the carrying amount exceeds the recoverable amount being the higher of net realizable price and value in use.
- e) Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged revenue.
- f) **Taxes on Income:** Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of relief and deductions available under the Income Tax Act, 1961. Deferred tax resulting from timing differences between book profits and tax profits is accounted for using the tax rates and tax laws that are enacted or substantively enacted as of Balance

Sheet date. Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is virtual certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carry forward losses under income tax laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred Tax Assets are reviewed as at each Balance sheet date. The Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the income tax Act, 1961.

- g) **Inventories:** Raw Material, Stores and Spare Parts, Oil & Fuel and Capital Stores are valued at cost. Finished goods are valued at cost or net realizable value, whichever is less and inclusive of excise duty. Scrap is valued at net realizable value.
- h) **Retirement benefits:** Actual liability for gratuity is provided in respect of eligible employees. Other employees' benefits are accounted for as per Company's policy.
- i) Sales includes inter unit transfers and inclusive of excise duty but net of discount & rebate.
- j) **Accounting for Provisions, Contingent Liabilities and Contingent Assets:** A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimates. Contingent Assets are not recognized in the financial statements.

#### II. NOTES ON ACCOUNTS:

##### 1. CONTINGENT LIABILITIES:

No provision has been made for:

- a. Outstanding Bank Guarantees and Counter Guarantees given by the Company Rs.334,92,787/- (Rs.4,95,000/-).
- b. Outstanding Letter of Credit Rs.18,82,23,308/- (Rs.8,45,92,000/-).
- c. Estimated amount of contracts remaining to be executed on capital account - Rs.270.60 lakh (net of advance) (Rs.170.00 lakh).

##### 2. Income Tax and Sales Tax Assessments:

- a) Income tax assessments have been completed upto assessment year 2006-07. Additional liability,

- if any, in respect of pending assessments, would be provided for on completion of assessments.
- b) Additional demand, if any, in respect of pending assessment of Sales Tax would be known only on completion of the assessment.

3. Stores consumed include stores issued for repair and maintenance.
4. The Company in its last annual general meeting has approved allotment of 10500000 convertible warrants at Rs.22/- per warrant pursuant to Section 81(1A) and all other applicable provisions of the Companies Act,1956. During the year Company has received application money of Rs.1,54,00,000.00 on 7000000 warrants at the rate of Rs.2.20 per warrant.

5. Name of the Company has been changed from Rathi Udyog Limited to Rathi Steel And Power Limited w.e.f. 20.03.2008.

**5. FOREIGN CURRENCY TRANSACTIONS:**

**Expenditure In Foreign Currency:**

- a. Raw material purchase (CIF) Rs.13,58,15,262/- (Rs.3,68,63,783/-).
- b. Store Purchase (CIF) - Rs.36,20,097/- (Rs.1,61,533/-).
- c. Capital Goods (CIF) - Rs.46,58,272/- (Rs.18,66,569/-).

**10. Earning Per Share (EPS):**

Earning Per Share (EPS) – the numerators and denominators used to calculate earning per share:-

Particulars	Yr Ended on 31 <sup>st</sup> Mar, 2009	Yr. Ended on 31 <sup>st</sup> Mar, 2008
Profit attributable to the Equity Shareholders (Rs.) (A)	111329519	85884195
Profit(Cash) attributable to the Equity Shareholders (Rs.) (B)	223476591	139037139
Weighted average number of Equity Shares Outstanding during the year (C)	24308111	24308111
Nominal Value of Share (Rs.)	10	10
Earning Per Share (Rs.) (A)/(C)	4.58	3.53
Earning Per Share (Cash) (Rs.) (B)/(C)	9.19	5.72

**11. Related Party Disclosure:**

In accordance with Accounting Standard (AS-18) on related party disclosure, where control exists and where key management personnel are able to exercise significant influence and, where transactions have taken place during the year, alongwith description of relationship identified, are given below:

a) Individuals

1. Shri Saurabh Rathi  
2. Shri Udit Rathi

**Earning in Foreign Currency(FOB):**

Finished goods sale Rs.9,88,32,052/-  
(Rs.2,33,90,445/-).

**6. Payment to auditors:**

- a. Audit Fee – Rs.4,00,000/- (Rs.4,00,000/-).
- b. Fee for Limited Review – Rs.20,000/- (Rs.20,000/-).
- c. Out of Pocket Expenses – Rs.15,000/- (Rs.15,000/-).

7. Amount due for repayment within one year on term loans Rs.11,67,60,000/- (Rs.16,08,52,244/-).

8. a) Sundry debtors, advances, creditors & other liabilities includes inter parties transfers and are subject to confirmation and consequent adjustments. In the opinion of the Board of Directors, the current assets and loans & advances except doubtful in nature would realize at least the amount at which these are stated in the Balance Sheet.

- b) Based on the information available with the Company, there are no over dues to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act. Payments are as per agreed terms.

9. The Company received EPCG Licence No. 0530140215/2/11/00 dated 05.01.2006 and saved duty amounting to Rs.1,38,92,124/- on import of certain plant & equipments. Thus, the Company has to meet export obligation to the extent of 8 times of the duty saved i.e. Rs.11,12,00,000/- equivalent to US\$24,18,650/- within 8 years from the date of license. The Company has made export of Rs.14,47,40,589/- up to 31.03.2009.

3. Shri Shrivardhan Rathi

b) Key Managerial Personnel

- Shri P C Rathi  
Shri Pradeep Rathi  
Shri P N Varshney

c) Associates

- Rathi Iron and Steel Industries I trd  
Rathi Rajasthan Steel Mills Ltd.

d) The following transactions were carried out with related parties in the ordinary course of business:

	Associates (Rs.)	Key Managerial Personnel (Rs)	Individuals (Rs)
Purchase of goods	20849091	-	-
Sale of goods	102371870	-	-
Paid for rendering of services	-	3786000	2700000

14. Segmental Reporting:

The business activity of the company falls within one broad segment viz Steel. Hence the disclosure requirement of Accounting Standard-17 of "Segment Reporting" issued by the Institute of Chartered Accounts of India is not given.

15. Quantitative details and other particulars are given below:

	Current Year		Previous Year	
	Qty.(MT)	Value (Rs.)	Qty.(MT)	Value (Rs.)
<b>A. Installed Capacity</b>				
- Steel Bars/TMT/Flat/Wire Rod	125000	—	125000	—
- Steel Ingot/Billet	190000	—	40000	—
- Sponge Iron	150000	—	150000	—
<b>B. Production:</b>				
1. Steel Bars ( Tor /TMT)	135703	—	116988	—
2. SS Flat/Wire Rod	9428	—	11206	—
3. MS Billet	88383	—	28691	—
4. SS Billet	15219	—	24671	—
5. SS Flat rolled from others	5645	—	11006	—
6. Sponge Iron	83053	—	33522	—
<b>C. Opening Stock of Finished Goods:</b>				
1. Steel Bars/TMT	3939	130954239	4057	88657745
2. SS Flat/Wire Rod	913	57392544	834	30740787
3. SS Billet	2014	104059934	1941	112147329
4. Billets	1529	46447223	—	—
5. Sponge Iron	8242	120263181	—	—
<b>D. Closing Stock of Finished Goods:</b>				
1. Steel Bars/TMT	5559	162630988	3939	130954239
2. SS Flat/Wire Rod	907	40265053	913	57392544
3. SS Billet (incl. material lying with other parties)	916	38751523	2014	104059934
4. Billets	2323	55329041	1529	46447223
5. Sponge Iron	7370	107694411	8242	120263181



E. Raw material consumed:				
1. MS/SS Billet	153641	3925229480	136085	2702053041
2. MS/SS Scrap	28410	564092135	35846	571215021
3. Other raw materials	6794	460357284	10640	698972363
4. Iron Ore	108571	507017142	54493	212270815
5. Coal	195305	368301850	58238	107746650
6. Others		457573752		124994960
F. Purchases:				
Bars, Structural, Plates etc	1217	37257315	2284	69200996
G. 1. SS Billets sent to job worker for production & consumed of SS Flat.				
	5845		11859	
2. Steel bars transferred for re-processing.				
	949		633	
3. SS Wire Rod transferred for re-processing.				
	188		145	
4. SS Billet transferred for re-processing				
	26		329	
5. Sponge Iron issued as captive consumption for production of MS Billets				
	79666		14058	
H. Turnover:				
1. Steel Bars/TMT, Structural, Plates/MS Billet	134351	4877858665	118757	3678980412
2. SS Flat/Wire Rods & SS Billet etc.	14891	800053233	21988	1125078600
3. Sponge Iron	4259	75969039	11222	206599579
4. MS Billets				
5. Rolling charges ,Commission & Others.	72568	2110724425	11994	337975223
		97892024		24307652

16. Previous year figures have been regrouped or recast wherever necessary.

As per our Report of even date

For M. LAL & Co.

Chartered Accountants

P. C. Rathi Pradeep Rathi  
Director Managing Director

N K Garg  
Company Secretary

Y K Agrawal  
C.F.O.

M. L. AGRAWAL  
M. No. 11148

PLACE : NEW DELHI  
DATED : 04 September, 2009

ASHOK GOEL  
General Manager (Accounts)

# RATHI STEEL AND POWER LTD

38th AGM

24/1A, Mohan Cooperatie Industrial Estate, Mathura Road, New Delhi-110044

Attendance Slip

DP.ID.	
Client ID.	

Folio No.	
No. of Equity Shares Held	

I hereby record my presence at the 38<sup>th</sup> Annual General Meeting of the Company being held at The Little Theatre Group, Next to The Kamani Auditorium, Copernicus Marg, New Delhi-110001 on Wednesday the 30th September, 2009 at 10.00 a.m.

Name of the Shareholder
Name of the proxy - holder / Authorised representative (in block letters)

Signature of the Shareholder/Proxy/Authorised Representative

- Note :
1. A member / proxy / authorised representative wishing to attend the meeting must complete this Admission Slip before coming to the Meeting and hand it over at the entrance.
  2. If you intend to appoint a proxy, please complete, stamp, sign and deposit the Proxy Form given below at the Company's Registered office at least 48 hours before the meeting.

Proxy Form

38th AGM

# RATHI STEEL AND POWER LTD

24/1A, Mohan Cooperatie Industrial Estate, Mathura Road, New Delhi-110044

I/We ..... of

..... Being a member/members of Rathi Udyog Ltd. hereby appoint.

Shri/Smt. / Km. .... of .....

or failing him Shri/Smt./Km. .... of .....

or failing him Shri/Smt./Km. .... of .....

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 38th Annual General Meeting of the Company to be held on the 30th September, 2009 at 10.00 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2009

Folio No.
No. of Equity Shares Held

DP.ID.	
Client ID.	

Signature(s) .....

Revenue Stamp
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**Note :** The proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.