



31st Annual Report
2010-2011

VALLABH STEELS LIMITED



VALLABH STEELS LIMITED

BOARD OF DIRECTORS

Mr. Kapil Kumar Jain	Chairman & Managing Director
Mr. Rahul Jain	Director
Mr. M. K. Jain	Director
Mr. Mohan Lal	Director
Mr. Mohinder Pal Gupta	Director
Mr. Jawahar Jain	Director

AUDITORS

M/s Raj Gupta & Co.
Chartered Accountants
549/10, Sutlej Tower, Opp. Petrol Pump,
Near Fountain Chowk, Ludhiana -141 001

BANKERS

Punjab National Bank
Large Corporate Branch
Bhagwati Tower, R.K. Road,
Ludhiana-141 003.

State Bank of India
Specialised Commercial Branch
Miller Ganj, Pahwa Hospital Complex,
Ludhiana-141 003.

REGISTERED OFFICE

G.T. Road, Pawa, Sahnewal,
Ludhiana -141 120 (Punjab)

WORKS

- (i) G.T. Road, Pawa, Sahnewal,
Ludhiana-141 120 (Punjab)
- (ii) G.T. Road, Nandpur, Sahnewal,
Ludhiana-141 120 (Punjab)

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VALLABH STEELS LIMITED

NOTICE

Notice is hereby given that the 31st Annual General Meeting of the members of Vallabh Steels Limited will be held at Registered Office of the company at G.T. Road, Village Pawa, Sahnewal, Ludhiana on Thursday, the 29th September, 2011 at 10.00 A.M. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. a) To appoint a Director in place of Mr. Rahul Jain who retires by rotation and being eligible offers himself for re-appointment.
b) To appoint a Director in place of Mr. Jawahar Jain who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration.
4. To appoint M/s. RCS & Company, Company Secretaries in practice for the Secretarial Compliance Certificate for the Financial Year 2011-12.

AS SPECIAL BUSINESS

5. **TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), IF ANY, THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Section(s) 198, 269,309, 314 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and rules framed there under, including any statutory modification or re-enactment thereof and subject to such approvals as may be deemed necessary, including the approval of the Central Government, consent of the Company be and is hereby accorded for the reappointment of Mr. Kapil Kumar Jain as Chairman & Managing Director for a further period of three years w.e.f. 28.08.2011 and for payment of remuneration to Mr. Kapil Kumar Jain, Chairman & Managing Director of the Company by way of a consolidated salary (inclusive of perquisites) upto Rs.3,00,000/- (Rs. Three Lac Only) per month."

"RESOLVED FURTHER THAT Board of Directors/Remuneration Committee be and is hereby authorised to alter or increase or vary the terms and conditions of the said remuneration and/or agreement in such form and manner or with such modifications as the board may deem fit or as may be prescribed by the Central Government while granting necessary approvals, if any required, in this regard and as may be acceptable to Mr. Kapil Kumar Jain, without again referring the same to the General Meeting."

"RESOLVED FURTHER THAT where in any financial year, the company has no profits or its profits are inadequate during the tenure of remuneration as proposed of Mr. Kapil Kumar Jain, the remuneration aforesaid shall be the minimum remuneration provided that it does not exceed the limits as prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to execute all such documents, instruments and writings as any be required to give effect to the aforesaid resolutions."

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

DATED : 03.09.2011

NOTES:

(KAPIL KUMAR JAIN)
CHAIRMAN & MANAGING DIRECTOR

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and the proxy need not be a member of the company. Proxy Form, in order to be effective, must be delivered at the Regd. office of the Company atleast 48 hours before the scheduled time of the meeting. The blank Proxy Form is enclosed.



VALLABH STEELS LIMITED

2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 5 of Special Business is annexed hereto and forms part of this Notice.
3. The Register of Members and Share Transfer Books of the company will remain closed from Tuesday, the 27th September, 2011 to Thursday, the 29th September, 2011 (both days inclusive).
4. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Share Transfer Agents of the company. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants (DPs).
5. Members are requested to send their queries on the accounts, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have relevant information ready at the meeting.
6. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
7. Members may also note that the equity shares of the company have been included in the list of securities for compulsory trading in dematerialised form under ISIN No. INE 457E01016. Shareholders are, therefore, advised to dematerialise their shareholding to avoid inconvenience in future. They are requested to send their Dematerialisation Request Form (DRF) through their Depository Participant (DP).
8. The Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively, taken a 'Green Initiative in Corporate Governance', by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other Notice/Documents, henceforth in electronic form in lieu of the paper form.

We strongly urge you to support your Company's concern for this 'Green Initiative' by opting for electronic mode of communication. You are requested to please register your e-mail ID with your Depository Participant (DP), if you hold the Company's shares in electronic form, under intimation to the Registrar & Transfer Agent through your registered e-mail ID. However, if you hold the shares in physical form then you may register your e-mail ID with Registrar & Transfer Agent of the Company by sending a letter under your Registered Signature at the below mentioned address:

Mas Services Limited

T-34, 2nd Floor,
Okhla Industrial Area, Phase- II,
New Delhi- 110020
Phone: 011-26387281-83
Fax : 011- 26387384
E-mail: mas_serv@yahoo.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 5 OF SPECIAL BUSINESS:

ITEM NO. 5

Mr. Kapil Kumar Jain has been appointed as Chairman & Managing Director of the company by the Board in its meeting held on 27th August, 2011 for a further period of three years with effect from 28.08.2011. As per the amendments in Schedule XIII (Part-II)(Section II) of the Companies Act, 1956 consent of the members of the Company by way of passing a Special Resolution is required for payment of remuneration to a Managerial person for a period not exceeding three years in case of Companies having no profits or inadequate profits.

The principal terms of remuneration of Mr. Kapil Kumar Jain as approved by the Remuneration Committee and by the Board of Directors of the Company w.e.f. 28.08.2011 for a further period of three years i.e. up to 27.08.2014 is given in the proposed resolution. The Board recommends the resolution for your approval.

The above may be treated as an abstract and notice of Interest under Section 302 of the Companies Act, 1956.



VALLABH STEELS LIMITED

MEMORANDUM OF INTEREST:

None of the Directors except Mr. Kapil Kumar Jain, the appointee, Mr. M.K. Jain and Mr. Rahul Jain being his relatives is interested in the resolution.

STATEMENT ON THE INFORMATION AS REQUIRED UNDER SECTION II, PART II, OF SCHEDULE XIII OF THE COMPANIES ACT, 1956(AS AMENDED) IS GIVEN AS UNDER:

1. a) NATURE OF INDUSTRY:

Your Company is engaged in the manufacturing and marketing of Steel Pipes and Cold Rolled Steel Strips and Coils which fall within the single segment of "Iron & Steel Industry."

The Indian Steel Industry has witnessed divergent trends in the financial year 2010-11. During the year the Industry in general and Iron and Steel Industry in particulars has been adversely affected by the increase in diesel prices resulting in higher freight cost to the ultimate buyers and increase in prices of furnace oil which has increased the cost of production per unit. These factors have encouraged the creation of additional manufacturing capacities in Southern/Eastern parts of the Country where Company was selling its products. As a consequence of localization of Industry in these areas, the competition has increased which has resulted in lower sales realisation and thus lower profits and profitability for the Company.

The management of the Company is seized of the matter and is making all out efforts to improve the working of the Company by optimum utilisation of resources besides adopting cost control measures.

b) DATE OF COMMENCEMENT OF COMMERCIAL PRODCUTION:

The Company started its commercial production in 1980-81.

c) FINANCIAL PERFORMANCE

Financial Performance of the Company for the last two years is given below:

(Rs. in lacs)

Particulars	Current Year	Previous Year
Gross Sales	22450.85	24877.69
Gross Profit	706.48	868.56
Less Interest	396.04	273.32
Less Depreciation	203.16	262.04
Net Profit before tax	107.28	333.20
Provision for taxation	53.00	131.00
Deferred tax	(1.76)	41.60
Net Profit after tax	56.04	160.60

d) EXPORT PERFORMANCE

Export Performance during the year 2010-11 is as under:

Foreign Exchange Earnings : Rs. 11,86,45,758/-

(Less) Foreign Exchange Outgo : Rs. Nil

Net Foreign Exchange Earnings : Rs. 11,86,45,758/-

2. INFORMATION ABOUT MR. KAPIL KUMAR JAIN:

a) BACKGROUND

Mr. Kapil Kumar Jain has been associated with the company in different capacities at Board level since inception and has now been reappointed as Chairman & Managing Director of the company for a further period of three years with effect from 28.08.2011. He has vast experience in the field of General Administration and project implementation.

b) PAST REMUNERATION

Mr. Kapil Kumar Jain has been drawing a salary of Rs.2,25,000/- (Rs. Two lac and twenty five thousand only) per month from the Company plus the following perquisites & benefits:

The perquisites have been allowed in addition to salary. However, such perquisites have been restricted to a maximum amount of Rs.9,00,000/- (Rs. Nine lac only) in a year:

i) Housing:

Free furnished accommodation or house rent allowance equal to 50% of the basic salary. Free furnishing shall also be provided by the company alongwith other amenities. The said facility shall, however, be subject to the policy framed by the company in this respect. The expenditure



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incurred by the company on the gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

ii) Medical Reimbursement:

Expenses incurred for self and the family (including Medclaim Insurance Premium) subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

iii) Leave:

Leave with full pay or encashment thereof as per the Rules of the Company.

iv) Leave Travel Concession:

For self and family, once in a year incurred in accordance with Rules specified by the company.

v) Club fees:

Fees of Clubs subject to a maximum of two clubs, excluding admission or life membership fees.

vi) Personal Accident Insurance:

Premium not to exceed Rs.5,000/- per annum.

vii) Provident Fund:

Contribution to Provident fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent either these singly or put together are not taxable under the Income Tax Act.

viii) Gratuity:

Gratuity payable shall not exceed half a month's salary for each completed year of service. This will, however, be subject to ceiling prescribed by the Central Government from time to time.

ix) Car:

Provision of car alongwith driver for use for company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the appointee."

c) RECOGNITION OR AWARDS

Though no specific awards have been won by the Company its performance over the years is itself an award.

d) JOB PROFILE

Mr. Kapil Kumar Jain is a Director of the company since inception. He has been appointed as Chairman & Managing Director of the Company w.e.f 28.08.2011 for a further period of three years. He looks after the work related to Project implementation, marketing, formulating the plans and future policies of the Company.

e) REMUNERATION PROPOSED

A consolidated salary upto Rs. 3,00,000/- (Rs. Three Lac Only) per month w.e.f 28.08.2011 inclusive of perks is proposed to be paid to Mr. Kapil Kumar Jain as Chairman & Managing Director of the Company as recommended by the Remuneration Committee till 27.08.2014.

f) COMPARATIVE REMUNERATION PROFILE

The remuneration profile with respect to manufacturing and other companies having comparative turnover as reported in the respective Annual Reports:

Sr. No.	Name of the Company	Name of the Managerial Personnel	Annual Turnover (Rs. In lacs)*	Remuneration Paid* (Rs. In lacs)
1.	AGC Networks Limited	Mr. Anil Nair Jr. Mg. Director	30850.00	160.00
2.	Star Paper Mills Limited	Mr. G.P. Goenka Chairman & Mg. Director	26225.53	98.57
3.	Sun Pharma Advanced Research Company Limited	Dr. T. Rajamannar Whole Time Director	5958.72	214.45
4.	Seamec Limited	Captain C.J. Rodricks Managing Director	11572.14	153.11
5.	Timex Group India Limited	Mr. V.D. Wadhwa Managing Director	17390.82	83.12

(*) As reported in their respective Annual Reports.



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g) PECUNIARY RELATIONSHIP

Mr. Kapil Kumar Jain, except his appointment as Chairman & Managing Director of the Company and payment of remuneration to him, has no pecuniary relation with the Company.

3. OTHER INFORMATION:

a) REASONS FOR LOSS OR INADEQUATE PROFITS

Though the Company has not incurred losses, but there may be inadequacy of profits under section 198, 249 and 350 of the Companies Act, 1956 on account of the following factors:

1. Quantitative restrictions and/or additional tariffs of exports from India by importing countries.
2. Cheap imports to India creating pressure on domestic demand and prices.
3. Unpredictable and sharp cyclical movements in the raw material and other input prices.
4. Unfavourable Govt. policies in respect of import of Steel/ Steel products.

b) STEPS TAKEN BY THE MANAGEMENT TO IMPROVE THE PERFORMANCE OF THE COMPANY

In the recent past, the company has increased its productivity diversified its product mix, gaining economies of scale and integrated manufacturing facilities.

The company by virtue of quality and market oriented specification of its products have posted profitable operations during the most trying times in the past. As such current buoyant conditions are paving way for major strides towards improved performance in future. Besides the Company has recently adopted strategy of taking its products to new markets in India and Abroad and purchasing of raw material on long term bulk basis besides savings the overheads to bring down the cost per unit of production.

c) EXPECTED INCREASE IN PRODUCTIVITY AND PROFITS

The company is continuously improving its operational efficiency and productivity besides taking and cost control measure which will help it to improve the bottom line in future. With the various steps taken by company and strategies under implementation the performance of the company is likely to improve in future.

4. DISCLOSURES:

The remuneration package along with the corresponding details payable to the Chairman & Managing Director has been mentioned earlier.

The aforesaid statements form part of the Notice calling the AGM. None of the Directors except Mr. Kapil Kumar Jain, Chairman & Managing Director, the appointee, Mr. M.K. Jain and Mr. Rahul Jain being his relatives is concerned or interested in resolution at serial no. 5 of notice.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA

DATED : 03.09.2011

(KAPIL KUMAR JAIN)

CHAIRMAN & MANAGING DIRECTOR



VALLABH STEELS LIMITED

DIRECTORS' REPORT

To

The Members,

We have pleasure in presenting the 31st Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

	(Rupees in Lacs)	
	Current Year	Previous year
Sale/Income from operations (Gross)	22450.85	24877.69
Profit before Interest, Depreciation and Tax	706.48	868.55
Less :		
Financial Expenses	396.04	273.32
Provision for Depreciation	203.16	262.04
Taxes : Current Tax	53.00	131.00
Deferred Tax	(1.76)	41.59
Profit after Tax	56.04	707.95
Add:		160.60
Balance b/f from Previous Year	2445.37	2309.77
Profit available for appropriations	2501.41	2470.37
Appropriations :		
Transferred to General Reserve	25.00	25.00
Surplus Carried to Balance Sheet	2476.41	2445.37
	2501.41	2470.37

OPERATIONS

Your Directors hereby inform you that your Company has recorded a lower Gross Sale/Income from operations of Rs. 22450.85 lacs as compared to 24877.69 lacs of previous year representing a decline of about 9.76 % which is attributed to decline in sale prices of its products in line with industry trends. This has resulted in a lower net profit before taxes of Rs. 107.28 lacs as compared to Rs. 333.19 lacs. After providing for tax of Rs. 53.00 lacs (Rs. 131.00 lacs), the net profit is placed at Rs. 56.04 lacs as compared to Rs. 160.60 lacs of previous year. The management is making all out efforts to improve the working of the Company by optimum utilisation of resources.

EXPORTS

We are pleased to inform you that during the year under review the Company continued to export its products in various countries such as Ghana, Sudan and West Indies etc.

However, due to wide fluctuation in prices, foreign exchange fluctuations and stiff competition, the exports were lower at Rs. 1186.46 lacs as compared to Rs. 1277.66 lacs in previous year.

DIVIDEND

With a view to conserve resources for immediate future requirements, your directors have not recommended any dividend for the year under consideration.

LISTING OF SHARES

The Equity Shares of the Company are listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The company has duly paid the listing fee to Bombay Stock Exchange Limited, Mumbai upto the Financial Year 2011-12.



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FIXED DEPOSITS

During the year, your Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 and the Rules made thereunder.

DIRECTORS

Mr. Rahul Jain and Mr. Jawahar Jain, Directors of the company retire by rotation at the forth coming Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

Corporate Governance Report and Management Discussion and Analysis along with Certificate of the Auditors of your company pursuant to clause 49 of the Listing Agreement with the Stock Exchange(s) has been annexed to the report as Annexure-I. Your company has been practicing the principle of good Corporate Governance over the years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues as dictated by compliance of statutory requirements, the Board lays strong emphasis on transparency, accountability and integrity.

AUDITORS

M/s Raj Gupta & Co., Chartered Accountants, Auditors of the company, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors' report read with the relevant notes on accounts for the year under review is self explanatory and do not call for any further comments as there are no adverse remarks in the Auditors' Report.

COST AUDITORS

The Board of Directors has appointed M/s. Meenu & Associates, Cost Accountants, Ludhiana as the Cost Auditors of the Company under Section 233 B of the Companies Act, 1956 for which application to the Central Government has already been made seeking approval for appointment of Cost Auditors to conduct audit of the Company for the year 2011-12.

SECRETARIAL COMPLIANCE CERTIFICATE

M/S RCS & Company, the Secretarial Auditors of the Company retire at the ensuing Annual General Meeting. The reappointment of the Secretarial Auditors is to be approved by the members at the ensuing Annual General Meeting to verify the Secretarial records and to provide a compliance certificate for the financial year 2011-12. The Board recommends to reappoint M/s RCS & Company, the Secretarial Auditors and to fix their remuneration.

Further, the Secretarial Compliance Certificate for financial year 2010-11 received from M/s RCS & Company, Practicing Company Secretaries is annexed and forms part of this report as Annexure-II.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information as per section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure-III forming part of this report.



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PERSONNEL AND INDUSTRIAL RELATIONS

The Management - Employees relations remained cordial throughout the year. The results achieved during the year have been possible only with the dedication and hard work at all levels of workers, staff and executives of the Company.

Statement pursuant to section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 is given below:

Name of Director	Age	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment held
Mr. Kapil kumar Jain	61	Chairman & Managing Director looking after all managerial functions of the Company	33,73,010/-	B.Com	37	01.08.2009	Vardhman Industries Limited (Chairman)

Note: The above appointment is contractual and remuneration includes perquisites valued in accordance with the Income Tax Rules, 1962. Mr. Kapil Kumar Jain holds 2,32,000 equity shares representing 4.69 % in the paid up capital of the Company

AUDIT COMMITTEE

As per clause 49 of the Listing Agreement the Company has constituted an Audit Committee. The constituent members of the Audit Committee are Mr. Mohan Lal, Mr. Mohinder Pal Gupta and Mr. Jawahar Jain. Mr. Mohinder Pal Gupta is Chairman of the Committee. The statutory auditors and internal auditors are the permanent invitees to the audit committee meetings. The Committee met five times during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 is given in Annexure-IV forming part of this report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their sincere thanks and appreciation to the team of executives, staff members and workers at all levels for their co-operation, hard work, dedication and devotion. Our thanks are also due to the Bankers, Financial Institutions, Government Authorities and Business constituents for their continued support and co-operation extended from time to time to the Company.

By order of the Board of Directors

Sd/-

PLACE : LUDHIANA
DATED : 03.09.2011

(KAPIL KUMAR JAIN)
CHAIRMAN & MANAGING DIRECTOR



ANNEXURE - I TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE REPORT

I. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development :

Your Company is mainly engaged in the manufacturing and marketing of Steel Pipes and Cold Rolled Steel Strips & Coils which fall within the single segment of "Iron & Steel Industry."

The Indian Steel Industry has witnessed divergent trends in the financial year 2010-11. During the year the Industry in general and Iron and Steel Industry in particulars has been adversely affected by the increase in diesel prices resulting in higher freight cost to the ultimate buyers and increase in prices of furnace oil which has increased the cost of production per unit. These factors have encouraged the creation of additional manufacturing capacities in Southern/Eastern parts of the Country where Company was selling its products. As a consequence of localization of Industry in these areas, the competition has increased which has resulted in lower sales realisation and thus lower profits and profitability for the Company.

The management of the Company is seized of the matter and is making all out efforts to improve the working of the Company by optimum utilisation of resources besides adopting cost control measures.

(b) Company's Performance :

Sale/Income from operations (Gross) of the Company during the year 2010-11 has declined by about 9.76 % to Rs. 22450.85 lacs from Rs. 24877.69 lacs in the previous year due to decline in prices of its products. The net profit after tax is Rs. 56.04 lacs as compared to Rs. 160.60 lacs in the previous year, thus registering a fall of over 65%.

(c) Dividend :

Your directors are constrained not to recommend any dividend on equity shares for the period under review for conserving resources to strengthen the financials of the company for its immediate requirements

(d) Outlook : Opportunity, Threats, Risks & Concerns :

Though the Iron & Steel industry as a whole continues to witness erratic trends. The diversified product mix, expected economies of scale, cost control measures taken, highly responsive market conditions give the management surety for having optimistic outlook for substantial growth in the operating performance of your company in near future.

Your directors perceive following factors which may pose threat, risk & concern for the Iron & Steel Industry in general and your company in particular:

1. Any adverse conditions of user sector to which it caters, thus adversely affecting the demand.
2. Quantitative restrictions and/or additional tariffs of exports from India by importing countries.
3. Cheap imports to India may exert pressure on domestic demand and prices.
4. Unpredictable and sharp cyclical movements in the raw material and other input prices.
5. Any change in Govt. Policies pertaining to steel industry may affect the profitability.

The opportunities of growth for your company as detailed below are manifold in view of its Strengths which may also counter the above concerns:-

1. Buoyant trends are continuing in user sector and it is expected that such trends will persist in the times ahead. Your company by virtue of quality and market oriented specification of its products have posted profitable operations during the most trying times in the past. As such current buoyant conditions are paving way for major strides towards improved performance in future.
2. Well established customers base for the last over 30 years.



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3. Your Company is fully poised to reap the benefits of economies of scale and it will be in a better position to negotiate raw material prices on long term bulk lifting basis & definite savings on overheads will bring down the cost per unit of production and lead to higher profitability
4. Your Company has strategic advantage as its units are located in the industry friendly area having all infrastructural amenities.

Thus, your company stands in good stead to avail of the opportunities and also to take head on successfully the areas posing risks, concerns and threats to it.

(e) Internal Control System and their Adequacy :

Your company has adequate internal control systems commensurate with its size and nature of business to ensure efficient utilisation and protection of assets, compliance with statutes and proper recording of all transactions.

In addition, the company has engaged M/s Gupta Sanjeev & Co., Chartered Accountants as external independent agency to conduct internal audit of the affairs of your company.

The company has also an Audit Committee constituted pursuant to the provisions of Listing Agreement which reviews internal control system of the company from time to time besides looking into other areas in its scope.

(f) Risk Management :

The company is exposed to various normal business risks such as risks from market fluctuations of foreign exchange, interest rates, prices of raw materials and finished goods and natural vagaries.

Business risk evaluation and management is an ongoing process within the Company. During the year under review, a detailed exercise on "Risk Assessment and Management" was carried out covering the entire gamut of business operations and the Board was informed of the same.

(g) Cautionary statement :

Statement in the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions, may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.

2. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

Your company is committed to the attainment of highest level of transparency, integrity, accountability and equity in all dealings with shareholders, employees, lenders, government and other business constituents in all dealings in pursuit of its overall organisational goals.

In pursuance of the above, the Board of directors has constituted committees to implement its policies and guidelines and has set up adequate review systems for exercising effective management control and ensuring compliance of laws. There is adequate representation of independent directors on the Board. We believe in timely and transparent disclosure of information.

Our focus on sustainable growth, productivity improvement, commitment to quality, self-discipline, value of time, safety in operations and total customers satisfaction is unrelenting. The company will continue its efforts towards raising the standards in Corporate Governance and will also review its systems and procedures constantly in pace with the changing economic environment from time to time as it feels that the Corporate Governance should be need based and is not seen only as an issue of compliance dictated by statutory requirements.

3. BOARD OF DIRECTORS :

(a) Board Meetings :

During the financial year 2010-11, nine Board meetings were held on 30.04.2010, 14.05.2010, 10.08.2010, 14.08.2010, 27.10.2010, 10.11.2010, 31.01.2011, 12.02.2011 and 31.03.2011.



VALLABH STEELS LIMITED

(b) Composition :

The Board comprises of six directors of which three are independent non-executive directors. The details of the Board composition, attendance of directors at Board Meetings and their other members are given below:

Sr. No.	Name of Director	Designation	Category	No. of Board Meetings Attended	Attendance at last AGM	Total No. of Directorships in Public Ltd. Companies		No. of Committee positions in Public Ltd. Companies	
						Chairman	Member	Chairman	Member
1.	Mr. Kapil Kumar Jain	Chairman & Managing Director	Promoter	9	Yes	3	1	--	2
2.	Mr. Rahul Jain	Director	Promoter	9	Yes	--	4	--	--
3.	Mr. Mohinder Kumar Jain	Director	Promoter	7	Yes	--	1	--	--
4.	Mr. Mohan Lal	Director	Independent	5	No	--	2	--	2
5.	Mr. Jawahar Jain	Director	Independent	9	No	--	1	--	3
6.	Mr. Mohinder Pal Gupta	Director	Independent	5	Yes	--	1	3	--

(c) Information of Directors Appointed/re-appointed :

A brief resume of the directors being appointed/re-appointed at the ensuing Annual General Meeting is furnished below:

1. Mr. Rahul Jain, aged about 37 years is a commerce graduate and has an experience of 15 years in Business and Industry and is the Director of the Company since 1st April, 1997. In between he has been a Whole Time Director of the Company for over 12 years and presently is the Managing Director of Vardhman Industries Limited and Vallabh Tinplate Private Limited. He is also a Director on the Boards of Vallabh Textiles Company Limited and Vallabh Steel East Limited and as such has good Board level experience in Steel and Textile Industry.
2. Mr. Jawahar Jain aged about 61 years is a seasoned business man having experience in general administration and purchase related activities and has been a director on the Board since 31.03.2003. He is not holding directorship in any other company

(d) Audit Committee :

The Audit Committee of the Board of Directors of the company, inter-alia, provides assurance to the Board on the adequacy of the internal control system and financial disclosures.

The Audit Committee of the company is comprised of Mr. Mohinder Pal Gupta, Mr. Mohan Lal and Mr. Jawahar Jain with Mr. Mohinder Pal Gupta as its Chairman. All these members are non-executive independent directors of the Company.

The Statutory Auditors i.e. Raj Gupta & Co., Chartered Accountants and Gupta Sanjeev & Co., Chartered Accountants, the Internal Auditors are permanent invitees to this committee. The terms of reference of the Audit Committee are as contained in Clause 49 of the Listing Agreement.

During the year 2010-11, the Audit Committee met five (5) times on 14.05.2010, 10.08.2010, 14.08.2010, 10.11.2010 and 12.02.2011. All the members of the Committee attended all the meetings alongwith Statutory Auditors and Internal Auditors as invitees.



VALLABH STEELS LIMITED

(e) Remuneration Committee :

The Company has constituted Remuneration Committee in line with Schedule XIII of the Companies Act, 1956 and clause 49 of the Listing Agreement. The remuneration committee comprises of three members namely Mr. Mohinder Pal Gupta, Mr. Jawahar Jain and Mr. Mohan Lal with Mr. Mohinder Pal Gupta as its Chairman.

All these members are non-executive independent Directors of the Company. No meeting of Remuneration Committee was held during the financial year 2010-2011.

(4) DIRECTORS' REMUNERATION :

The company has paid remuneration to the Chairman & Managing Director as approved by the members of the company in the general body meeting. The details of remuneration paid to the Managing Director during the year 2010-11 are given below:

(Amount in Rs.)

NAME	DESIGNATION	SALARY	PERKS	TOTAL
Mr. Kapil Kumar Jain	Chairman & M.D	27,00,000/-	6,73,010/-	33,73,010/-

The above appointment is on contractual basis.

Non-executive independent directors have not been paid any remuneration during 2010-11.

(5) SHAREHOLDERS GRIEVANCE COMMITTEE :

The company has constituted Shareholders Grievance Committee under the chairmanship of Mr. Mohinder Pal Gupta and other members being Mr. Kapil Kumar Jain and Mr. Jawahar Jain. The compliance officer of this committee is Mr. Suresh Gupta. The quorum for the meeting is two directors and the committee meets frequently to dispose of investors' complaints/requests. During the year 2010-11 the committee met 12 times.

During the year 2010-11, the company received very few complaints/requests comprising of non-receipt of annual report, demat queries/requests and requests for transfers and demat etc. & all the complaints were duly resolved and requests duly complied within a period of about 20 days. There was no pendency in respect of complaints/share received for transfers/demat materialisation.

(6) (a) GENERAL BODY MEETINGS :

The details of last three Annual General Meetings (AGMs) are as follows:-

MEETING	DAY, DATE & TIME OF MEETING	VENUE	NO. OF SPECIAL RESOLUTIONS
30th AGM	Thursday, 14.09.2010, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	Nil
29th AGM	Thursday, 29.09.2009, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	1
28th AGM	Saturday, 09.08.2008, 10.00 AM	G.T. Road, Vill. Pawa, Sahnewal, Ludhiana.	Nil

(b) EXTRA ORDINARY GENERAL MEETING :

During the year under review no Extra Ordinary General Meeting was held.

(c) RESOLUTION PASSED DURING THE FINANCIAL YEAR 2010-11 THROUGH POSTAL BALLOT :

No resolution was passed by Postal Ballot during the financial year 2010-11

(7) CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management Personnel. The said code has been communicated to the directors and members of the Senior Management.

(8) DISCLOSURES :

During the period under review, there was no material significant transaction with the promoters, directors, management and their relatives etc. that may have potential conflict with the interest of the company at large.

There has not been any non-compliance by the company in respect of which penalties or strictures have been imposed by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

The company has not issued any GDRs/ADRs/Warrants & there are no warrants or convertible instruments pending as on 31.03.2011.



VALLABH STEELS LIMITED

(9) MEANS OF COMMUNICATION :

The Company communicates with the shareholders at large through its Annual report, publication of financial results in English and Vernacular Newspapers and by filing reports & returns with the statutory bodies like Stock Exchange and the Registrar of Companies.

The financial results and shareholding pattern of the company are also available at the Company's Web-site viz. www.vallabhgroup.com.

(10) GENERAL INFORMATION FOR SHAREHOLDERS :

(i) 31st Annual General Meeting :

- Date and Time** : Thursday the 29th September, 2011, 10.00 AM.
Venue : At Regd. Office i.e. at G.T. Road, Village Pawa, Sahnewal, Ludhiana.

(ii) Financial Calender 2010-11

- First Quarter Results** : By middle of August, 2011
Second Quarter Results : By middle of November, 2011
Third Quarter Results : By middle of February, 2012
Fourth Quarter Results : By middle of May, 2012
Annual Results 2011-12 : In the month of July/August, 2012.

- (iii) Date of Book Closure** : Tuesday the 27th September, 2011 to Thursday the 29th September, 2011 (both days inclusive).

- (iv) Dividend Payment Date** : No dividend on equity shares has been recommended for the year 2010-11. Hence not applicable.

- (v) Listing** : The company's shares are listed on the Bombay Stock Exchange Limited at Mumbai. Delisting approval is yet to be received from Calcutta Stock Exchange.

- (vi) Stock Code** : **Stock Exchange Code**
Mumbai 513397

(vii) Stock Market Data :

The month wise highest & lowest closing prices vis-a-vis BSE sensex during the financial year 2010-11 are given as follows:

Financial Year 2010-11	Closing Share Prices of the Company at BSE		BSE Sensex	
	High (Rs.)	Low (Rs.)	Highest	Lowest
April, 2010	28.65	23.35	18047.86	17276.80
May, 2010	32.95	23.30	17536.86	15960.15
June, 2010	26.70	22.35	17919.62	16318.39
July, 2010	28.25	22.65	18237.56	17395.58
August, 2010	27.40	24.15	18475.27	17819.99
September, 2010	30.90	25.00	20267.98	18027.12
October, 2010	32.35	25.00	20854.55	19768.96
November, 2010	32.90	25.00	21108.64	18954.82
December, 2010	30.45	20.55	20552.03	19074.57
January, 2011	28.35	20.10	20664.80	18038.48
February, 2011	27.40	19.10	18690.97	17295.62
March, 2011	25.00	20.00	19575.16	17792.17



VALLABH STEELS LIMITED

(viii) Dematerialisation of shares, Registrar & Transfer Agent & Share Transfer system :

The equity shares of the company are available for dematerialisation through National securities depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The International Securities Identification Number (ISIN) is INE 457 E 01016.

M/s Mas Services Limited, having its office at T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020 are the Registrars and Share Transfer Agents being a Common Agency for Physical and Electronic modes.

The dematerialised shares are directly transferred to the beneficiaries through the depositories. 2295493 equity shares comprising of 46.37% of the total equity shares of the company are in dematerialised form as on 31.03.2011.

Out of a total of 3603 shareholders 1448 shareholders representing 40.19% have got their shares dematerialised as on 31.03.2011.

The process of transfer/transmission/transposition etc. of equity shares in physical form including despatch of the share certificates is completed within a period of 20 days if the documents are in order in all respects.

The Shareholders Grievance Committee specifically looks into the redressal of shareholders complaints like transfer of equity shares and related matters.

(ix) Distribution of shareholding as on 31.03.2011:

Share Holding	Share Holders		Share Holding	
	Number	% to total	Number	% to Total
Up to 500	3381	93.84	434497	8.78
501 to 1000	97	2.69	80045	1.62
1001 to 2000	47	1.30	72714	1.47
2001 to 3000	19	0.53	50890	1.03
3001 to 4000	5	0.14	19616	0.39
4001 to 5000	6	0.17	25782	0.52
5001 to 10000	12	0.33	83396	1.68
10001 and above	36	1.00	4183060	84.51
Total	3603	100.00	4950000	100.00

(x) Share Holding Pattern as on 31.03.2011:

Category	Number of Shares	% to Total Shares
Promoters	3590900	72.54
Private Corporate Bodies	101848	2.06
Indian Public	1235321	24.96
NRIs	21931	0.44
Total	4950000	100.00

(xi) Registrar for Demat and Share Transfer:

Mas Services Limited , T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020

Phone No. : 011-26387281-83, Fax No. : 011-26387384, E-Mail : mas_serv@yahoo.com

(xii) Investors Correspondence:

All queries of investors regarding the company's shares in physical form may be sent to the company at its Regd. office at G.T. Road, Village Pawa, Sahnewal, Ludhiana-141 120. (Phone No. : 0161-2511412, 2511413)

OR

to the Registrar for physical/demat modes at the following address:

Mas Services Limited , T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020

Phone No. : 011-26387281-83, Fax No. : 011-26387384, E-Mail : mas_serv@yahoo.com



VALLABH STEELS LIMITED

(xiii) Plant Locations of the Company:

- (i) G.T. Road, Village Pawa, Sahnewal, Ludhiana-141 120, (Phone No. : 0161-2511412, 2511413)
- (ii) G.T. Road, Village Nandpur, Sahnewal, Ludhiana-141 120, (Phone No. : 0161-2844499)

(II) SECRETARIAL AUDIT FOR RECONCILIATION OF CAPITAL :

As stipulated by SEBI, the statutory auditors of the company carry out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and report thereon is submitted to the Stock Exchange where shares of the Company are listed. The audit confirms that the total listed and paid-up capital is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

DECLARATION :

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, all Board members and Senior Management Personnel have affirmed compliance with Vallabh Steels Limited's Code of Business Conduct and Ethics for the year ended 31st March, 2011.

FOR VALLABH STEELS LIMITED

**PLACE : LUDHIANA
DATE : 03.09.2011**

**Sd/-
(KAPIL KUMAR JAIN)
CHAIRMAN & MANAGING DIRECTOR**

AUDITORS' CERTIFICATE

(on compliance of conditions of Corporate Governance)

To

The members of
Vallabh Steels Limited

We have examined the compliance of conditions of Corporate Governance by Vallabh Steels Limited for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreement executed by the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

**For Raj Gupta & Co.
Chartered Accountants
FRN- 000203N**

**PLACE: LUDHIANA
DATE : 03.09.2011**

**Sd/-
(R.K. GUPTA)
PARTNER
M. No. 017039**



ANNEXURE - II TO THE DIRECTORS' REPORT

COMPLIANCE CERTIFICATE

CIN No. L27109PB1980PLC004327

Authorised Share Capital :Rs. 500 lacs

To

The Members
Vallabh Steels Limited
Ludhiana

We have examined the registers, records, books and papers of Vallabh Steels Limited a company registered under the Companies Act, 1956 and having its Regd. Office at G T Road, Pawa, Sahnewal, Ludhiana - 141120 as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, within the time prescribed under the Act and rules made thereunder and such other extended time as was permitted.
3. The Company, being a Public Limited Company, our comments are not required.
4. The Board of Directors duly met nine (9) times on 30.04.2010, 14.05.2010, 10.08.2010, 14.08.2010, 27.10.2010, 10.11.2010, 31.01.2011, 12.02.2011 and 31.03.2011 in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes book maintained for the purpose.
5. The Company closed its register of Members, from 10.09.2010 to 14.09.2010 and necessary compliance of section 154 of the Act has been made.
6. The 30th Annual General Meeting for the financial year ended on 31.03.2010 was held on 14.09.2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting(s) was held during the financial year.
8. The Company has not advanced any loans to the Directors or persons or firms or companies referred to under section 295 of the Companies Act, 1956.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made entries about firms/companies in which directors are interested in the register under Section 301(3) of the Act.
11. The Company was not required to obtain any approvals of Board of Directors and members pursuant to the provisions of section 314 of the Act during this year.
12. The Company has not issued any duplicate share certificates during the year.
13. During the year the Company has:
 - (i) not issued/allotted any fresh shares. However it has registered transfer of shares and as such delivered the certificates after registration of transfer of securities as per provisions of the Companies Act, 1956 directly/through Registrar & Share Transfer Agent.
 - (ii) the Company has not deposited any amount in a separate Bank Account as no dividend was declared/paid during the financial year.
 - (iii) the Company was not required to post warrants to the members of the Company as no dividend was declared/ paid during the financial year.
 - (iv) no unpaid/unclaimed dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon for a period of seven years which is required to be transferred to Investor Education and Protection Fund.
 - (v) duly complied with the requirements of section 217 of the Act.



VALLABH STEELS LIMITED

14. The Board of Directors of the Company is duly constituted and the appointment(s) of Directors have been duly made.
15. The Company has not appointed any Managing Director during this financial year.
16. The Company has not appointed any sole selling agent during this financial year
17. The Company was not required to obtain approvals of the Central Government, Registrar or such other authorities as may be prescribed under the various applicable provisions of the Act.
18. The Directors have disclosed their interest in other firms, companies to the Board of Directors pursuant to the provisions of the Act and rules made thereunder.
19. The Company has not issued any Securities during this financial year.
20. The Company has not bought back any shares during this financial year.
21. During this financial year, the Company has not redeemed any Preference Shares as there was no outstanding Preference Share Capital.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the meaning of Section 58A of the Act during this financial year.
24. The amount borrowed by the Company from public, financial institutions, banks etc during the financial year ending 31.03.2011 is within the borrowing limits of the company and necessary resolution under section 293(1)(d) of the Companies Act, 1956 and has been duly passed in a general meeting.
25. The Company has not made Loans or advances or provided securities to other bodies corporate during the financial year ended 31.03.2011 as prescribed under section 372A of Companies Act, 1956 except in the ordinary course of business. However, the company has given guarantee to IDBI Bank Limited for a term loan given to Vardhman Industries Limited and it has duly complied with the provisions of the Companies Act, 1956 in this regard.
26. The Company has not altered provisions of its Memorandum of Association with respect to situation of Company's registered office from one State to another during this financial year.
27. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during this financial year.
28. The Company has not altered provisions of Memorandum of Association with respect to name of the Company during this financial year.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during this financial year.
30. The Company has not carried out any alteration in its Articles of Association during the financial year ended 31.03.2011.
31. There was no prosecution initiated against or Show Cause Notice received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during this financial year.
33. The Company has not constituted any Provident Fund Trust and as such provisions of section 418 of the Act are not applicable to the company.

**For RCS & COMPANY
(Company Secretaries)**

**Sd/-
(R.C.SINGAL)
PROPRIETOR
C.P. No. 3154
FCS : 903**

**PLACE : LUDHIANA
DATE : 03.09.2011**



VALLABH STEELS LIMITED

Annexure - 'A'

REGISTERS AS MAINTAINED BY VALLABH STEELS LIMITED, LUDHIANA

1. Register of members & Index of Member	Section 150/151
2. Minutes Book containing minutes of - Board Meeting - General Meeting	Section 193
3. Book of Accounts	Section 209
4. Register of Fixed Assets	Section 209
5. Register of particulars of firms and companies in which Directors are interested	Section 301
6. Register of Directors, Managing Director /Manager/Secretary	Section 303(3)
7. Register of Director's shareholdings	Section 307
8. Registers of Attendance for Board Meetings / General Meetings	
9. Records of Annual Returns filed with ROC	Section 143
10. Registrar of Charges.	
11. Registrar of Investments, Loan & Advances	Section 372 A
12. Common Seal Register	
13. Register of Transfer / Transmission of Shares*	
14. Register of issue of Duplicate Share Certificates*	

* Through Registrar and Share Transfer Agent.

**For RCS & COMPANY
(Company Secretaries)**

Sd/-
(R.C.SINGAL)
PROPRIETOR
(C.P. No. 3154)
FCS : 903

PLACE : LUDHIANA

DATE : 03.09.2011

Annexure - 'B'

FORMS AND RETURNS AS FILED BY VALLABH STEELS LIMITED WITH REGISTRAR, REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2011.

Sr. No.	Particulars	Remarks
1.	B/S as on 31.03.10 and P& L A/C for the year ending on 31.03.2010 filed u/s 220 with form 23 AC and 23 ACA.	Filed in time
2.	Form No. 66 filed on 22.09.2010 for Compliance Certificate	Filed in time
3.	Annual Return made as on 14.09.2010 filed on 23.10.2010	Filed in time
4.	Form No. 8 filed on 03.12.2010 for creation of charge	Filed in time
5.	Form No. 8 filed on 12.02.2011 for creation of charge	Filed in time

**For RCS & COMPANY
(Company Secretaries)**

Sd/-
(R.C.SINGAL)
PROPRIETOR
C.P. No. 3154
FCS : 903

PLACE : LUDHIANA

DATE : 03.09.2011



ANNEXURE-III TO THE DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2011.

I. CONSERVATION OF ENERGY

- a) Energy Conservation measure taken : N.A.
- b) Additional investments and proposals : No if any, being implemented for reduction of consumption of energy.
- c) Impact of the measures at (a) and (b) : N.A. above for reduction of energy consumption and consequent impact on the cost of production.
- d) Total Energy consumption per unit of production as per form 'A' of the annexure to the Rules in respect of industries Specified in Schedule thereto.

A. POWER & FUEL CONSUMPTION

	Current Year	Previous Year
a) Electricity		
Rolling Mill, Tube Mill, Cold Rolled Mill Purchased Units	1,01,57,893	99,93,122
Total Amount (Rs.)	4,95,10,016	4,78,48,066
Rate/Unit (Rs.)	4.87	4.79
b) Own Generation		
i) Through Diesel Generator		
Units	86,973	3,14,650
Unit per litre of diesel oil	3.90	3.89
Cost/Unit (Rs.)	9.64	7.68
ii) Through Steam/turbine Generator		
Units	-	-
Unit per litre of fuel/Gas/Oil	-	-
Cost/Unit (Rs.)	-	-
c) Coal (Steam)		
Quantity (Tonnes)	0.200	0.900
Total Cost (Rs.)	2,400	8,075
Average Rate (Rs.)	12,000	8,972
d) Furnace Oil		
Quantity (Ltrs.)	21,65,188	22,64,799
Total Cost (Rs.)	6,08,54,948	6,45,74,898
Average Rate (Rs.)	28.11	28.51
e) Other/Internal Generation		
Quantity	-	-
Total Cost (Rs.)	-	-
Average Rate (Rs.)	-	-
B. CONSUMPTION PER UNIT OF PRODUCTION		
Products of UNIT		
Rolling Mill, Tube Mill, Cold Rolled Mill		
Electricity (Rs.)	641	659

II. TECHNOLOGY ABSORPTION

Your Company has always been making best efforts towards technology absorption, adaption and innovation to improve the quality of its products being manufactured at its various units and to reduce the cost of production.

III. FOREIGN EXCHANGE EARNING AND OUTGO

a) Activities relating to export, initiatives to increase exports, Development of New Export markets for Products and Services, and Export Plans.

The management has taken number of initiatives for export of its products i.e. Steel Pipes. As a result the company has made exports to Ghana, Sudan and West Indies etc. directly as well as through agents. Besides the Company has taken effective steps to improve the quality of its products to capture more international markets.

b) Total Foreign Exchange used and earned

	Current Year	Previous Year
Used (Rs.)	-	79,492
(CIF Value of Import & Expenditure in foreign currency)		
Earned (Rs.)	11,86,45,758	12,77,65,571
(FOB value of Exports)		

ANNEXURE-IV TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956 it is hereby confirmed :

- i) That in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That 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 the financial year and of the profit of the Company for the year;
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the directors had prepared the annual accounts on a going concern basis.

**BY ORDER OF THE BOARD
OF DIRECTORS**

Sd/-
(KAPIL KUMAR JAIN)
CHAIRMAN & MANAGING DIRECTOR

PLACE : LUDHIANA
DATED : 03.09.2011



VALLABH STEELS LIMITED

AUDITORS' REPORT

To

The Members of
VALLABH STEELS LIMITED,

1. We have audited the attached Balance Sheet of Vallabh Steels Limited, ("the company") as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, both 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.
2. We conducted our audit in accordance with the 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 misstatements. 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.
3. As required by the Companies (Auditors' Report) (Amendment) Order, 2004 ("the order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) 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;
 - (b) 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;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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 Balance Sheet of the state of affairs of the Company as at 31st March, 2011,
 - ii) In the case of 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.

For RAJ GUPTA & CO.
CHARTERED ACCOUNTANTS
FRN- 000203N

Sd/-
(R. K. GUPTA)
PARTNER
M. No. 017039

Place : Ludhiana
Dated : 03.09.2011

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, most of the fixed assets have been physically verified by the management during the year in a phased manner, which in our opinion is reasonable having regard to the size of the company. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off a substantial part of its fixed assets during the year.
- (ii) (a) According to information and explanations given to us, physical verification of inventories has been conducted at reasonable intervals by the management during the year.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of its inventory. As explained to us, the discrepancies noticed on physical



VALLABH STEELS LIMITED

- verification were not material. The discrepancies noticed have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause (iii)-(b), (c) and (d) of the order are not applicable.
- b) The company has taken loans from some parties listed in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the terms and conditions of the loans are not prima facie prejudicial to the interests of the company.
- (iv) In our opinion, based on our observations and the information and explanations given to us, the company has in place an adequate internal control system commensurate with its size and the nature of its business, with regard to purchases of inventory, fixed assets and the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) Based on the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into the register maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions exceeding Rupees five lacs made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of pipe pursuant to the maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Companies Act, 1956 as prescribed by the Central Government and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, Investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess have generally been deposited by the company in time with the appropriate authorities. Based on our examination of the records of the company and information and explanations given to us, there were no arrears of undisputed statutory dues due as on 31st March 2011 that remained payable for more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no disputed dues outstanding in the books of account for income tax / sales tax / wealth tax / service tax / custom duty / excise duty / cess.
- (x) The company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or banks or debenture holders.
- (xii) As explained to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4 (xii) of the order are not applicable to the company.
- (xiii) The company is not a Chit Fund or a nidhi, mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the order are not applicable to the company.
- (xiv) Based on the information and explanations given to us and the records of the company examined by us, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the order are not applicable to the company.
- (xv) Based on our examination of the records of the company and information and explanations given to us, the company has given a guarantee of Rs 4.00 crores for loans taken by Vardhman Industries Ltd from banks. In our opinion, the terms and conditions of the said guarantee are not prima facie prejudicial to the interests of the company.
- (xvi) In our opinion and according to the information and explanations given to us and on an overall examination, the term loans have been applied for the purpose for which the loans were obtained.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the order are not applicable to the company.
- (xx) According to the information and explanations given to us, the company has not raised any money by way of public issue during the year. Accordingly the provisions of clause 4(xx) of the order are not applicable to the company.
- (xxi) According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the company has been noticed or reported by the company during the year.

For RAJ GUPTA & CO.
CHARTERED ACCOUNTANTS
FRN- 000203N

Sd/-
(R. K. GUPTA)
PARTNER
M. No. 017039

Place : Ludhiana
Dated : 03.09.2011



VALLABH STEELS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	ANNEXURE	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	'A'	4,95,00,000	4,95,00,000
Reserves & Surplus	'B'	34,83,96,332	34,27,92,662
Loan Funds			
Secured Loans	'C'	37,08,58,924	43,09,97,475
Unsecured Loans	'D'	5,59,19,777	6,58,91,377
Deferred Credits		43,06,093	52,69,981
Deferred Tax		2,00,65,113	2,02,40,867
	TOTAL	84,90,46,239	91,46,92,362
II. APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	'E'	51,16,76,832	57,60,24,110
Less: Depreciation		34,09,23,720	36,99,16,544
Net Block		17,07,53,112	20,61,07,566
Capital Work in Progress		37,35,597	20,17,333
Investments	'F'	4,85,47,000	4,85,47,000
Current Assets, Loans & Advances			
Inventories	'G'	36,69,31,247	30,11,95,763
Sundry Debtors	'H'	48,40,14,395	49,72,97,260
Cash & Bank Balances	'I'	1,71,81,825	1,91,42,533
Loans & Advances	'J'	11,50,41,856	10,55,15,134
		98,31,69,323	92,31,50,690
Less : Current Liabilities & Provisions			
Liabilities	'K'	35,71,58,793	26,51,30,227
Provisions		-	-
		35,71,58,793	26,51,30,227
Net Current Assets		62,60,10,530	65,80,20,463
	TOTAL	84,90,46,239	91,46,92,362

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

'R'

The Annexures referred to above form an integral part of the Balance Sheet.

As per our separate report of even date

For and on behalf of the Board

FOR RAJ GUPTA & CO.

Chartered Accountants

FRN- 000203N

Sd/-

(R. K. Gupta)

Partner

M. No. 017039

Place : Ludhiana

Dated : 03.09.2011

Sd/-

(Kapil Kumar Jain)

Chairman & Managing Director

Sd/-

(Rahul Jain)

Director

Sd/-

(M.K. Jain)

Director

**VALLABH STEELS LIMITED****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	ANNEXURE	FOR THE YEAR ENDED 31.03.2011 Rs.	FOR THE YEAR ENDED 31.03.2010 Rs.
INCOME			
Sale/Income from Operations		2,24,50,85,341	2,48,77,69,167
	TOTAL	2,24,50,85,341	2,48,77,69,167
EXPENDITURE			
Cost of Material Consumed	'L'	1,75,61,60,742	1,94,79,62,945
Manufacturing Expenses	'M'	35,81,24,747	38,98,33,035
Personnel Expenses	'N'	4,02,38,246	3,91,12,673
Admn. & Other Expenses	'O'	1,10,94,964	1,08,42,757
Financial Expenses	'P'	3,96,03,842	2,73,31,531
Selling & Distribution Expenses	'Q'	88,18,595	1,31,62,554
Depreciation		2,03,16,289	2,62,03,971
	TOTAL	2,23,43,57,425	2,45,44,49,466
PROFIT BEFORE TAX			
		1,07,27,916	3,33,19,701
Less : Taxes			
- Current Tax		53,00,000	1,31,00,000
- Deferred Tax		(1,75,754)	41,59,518
PROFIT AFTER TAX			
		56,03,670	1,60,60,183
Balance brought forward from previous year		24,45,36,926	23,09,76,743
Profit available for appropriations		25,01,40,596	24,70,36,926
APPROPRIATIONS			
Transferred to General Reserve		25,00,000	25,00,000
Balance carried to Balance Sheet		24,76,40,596	24,45,36,926
	TOTAL	25,01,40,596	24,70,36,926
Basic & Diluted Earning per share			
		1.13	3.24
(Refer Note No. 3 of Notes on Accounts)			
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	'R'		

The Annexures referred to above form an integral part of the Profit & Loss Account.

As per our separate report of even date

FOR RAJ GUPTA & CO.

Chartered Accountants

FRN- 000203N

Sd/-

(R. K. Gupta)

Partner

M. No. 017039

Place : Ludhiana

Dated : 03.09.2011

For and on behalf of the Board

Sd/-
(Kapil Kumar Jain)
Chairman & Managing Director

Sd/-
(Rahul Jain)
Director

Sd/-
(M.K. Jain)
Director



VALLABH STEELS LIMITED

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
ANNEXURE- 'A'		
SHARE CAPITAL		
Authorised		
49,50,000 Equity Shares of Rs. 10/- each	4,95,00,000	4,95,00,000
5,000 11% Redeemable Cumulative Preference Shares of Rs. 100/- each	5,00,000	5,00,000
TOTAL	5,00,00,000	5,00,00,000
Issued, Subscribed and Paid Up Capital		
49,50,000 Equity Shares of Rs. 10/- each fully paid up	4,95,00,000	4,95,00,000
Note :		
Out of above equity shares, 5,00,000 Shares of Rs. 10/- each allotted as fully paid up by way of Bonus Shares by capitalisation of General Reserve.		
ANNEXURE- 'B'		
RESERVE & SURPLUS		
Share Premium	1,75,61,000	1,75,61,000
General Reserve		
- As per last account	8,06,94,736	7,81,94,736
- Addition during the year	25,00,000	25,00,000
	8,31,94,736	8,06,94,736
Surplus in Profit & Loss Account	24,76,40,596	24,45,36,926
TOTAL	34,83,96,332	34,27,92,662
ANNEXURE - 'C'		
SECURED LOANS		
Working Capital Borrowings		
- From Punjab National Bank	35,95,45,915	40,16,77,128
- From State Bank of India	1,13,13,009	1,36,75,323
Term Loans		
From State Bank of India	-	1,56,45,024
TOTAL	37,08,58,924	43,09,97,475

Note :

Working Capital borrowings are secured by hypothecation of entire present and future tangible assets of the company and personally guaranteed by three of the directors.



VALLABH STEELS LIMITED

PARTICULARS AS AT 31.03.2011 AS AT 31.03.2010
Rs. Rs.

ANNEXURE - 'D'

UNSECURED LOANS

From Shareholders, Directors & their relatives	5,59,19,777	6,58,91,377
TOTAL	5,59,19,777	6,58,91,377

ANNEXURE - 'E'

FIXED ASSETS

PARTICULARS	GROSS BLOCK			As At 31.3.2011	DEPRECIATION			As At 31.3.2011	NET BLOCK	
	As At 1.4.2010	Additions	Sales/ Adjust- ments		Up to 01.04.2010	For the Year	Adjust- ment/ Written Back		As At 31.3.2011	As At 31.3.2010
Land	4,47,34,854	85,58,690	7,74,689	5,25,18,855	-	-	-	-	5,25,18,855	4,47,34,854
Building	3,96,04,557	2,83,500	-	3,98,88,057	2,50,81,135	14,78,040	-	2,65,59,175	1,33,28,882	1,45,23,422
Furniture & Fixture	24,27,591	13,677	-	24,41,268	18,37,063	1,08,958	-	19,46,021	4,95,247	5,90,528
Plant and Machinery	47,95,09,753	76,59,001	7,93,54,717	40,78,14,037	33,76,14,068	1,76,15,264	4,88,60,929	30,63,68,403	10,14,45,634	14,18,95,685
Vehicles	97,47,355	-	7,32,740	90,14,615	53,84,278	11,14,027	4,48,184	60,50,121	29,64,494	43,63,077
Total	57,60,24,110	1,65,14,868	8,08,62,146	51,16,76,832	36,99,16,544	2,03,16,289	4,93,09,113	34,09,23,720	17,07,53,112	20,61,07,566
Previous Year	52,33,54,539	5,26,69,571	-	57,60,24,110	34,37,12,573	2,62,03,971	-	36,99,16,544	20,61,07,566	17,96,41,966

ANNEXURE - 'F'

INVESTMENTS

Quoted

6,66,600 Equity Shares of Rs. 10/- each fully paid up of Vardhman Industries Ltd. **49,99,000** 49,99,000

26,000 Equity Shares of Rs. 10/- each fully paid up of Associated Leasing Ltd. **2,60,000** 2,60,000

Unquoted

43,00,000 equity shares of Rs 10/- each fully paid up of Vallabh Textiles Company Ltd. **4,30,00,000** 4,30,00,000

Non-Trade Quoted

72,000 equity shares of Rs 5/- each fully paid up of DMC Education Ltd. **2,88,000** 2,88,000

TOTAL **4,85,47,000** **4,85,47,000**

Note :

Market Value of quoted investment **2,84,66,240** 1,71,40,690

Aggregate value of quoted investments **55,47,000** 55,47,000

Aggregate value of unquoted investments **4,30,00,000** 4,30,00,000



VALLABH STEELS LIMITED

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
ANNEXURE - 'G'		
INVENTORIES		
Stores & Spares	5,11,35,200	6,02,48,830
Raw Materials	11,13,25,595	13,96,56,947
Material in Transit	23,12,267	3,52,014
Material in Process	11,54,02,641	5,31,50,779
Finished Goods	8,67,55,544	4,77,87,193
TOTAL	36,69,31,247	30,11,95,763

Notes :

- Inventories as taken, valued and certified by the management.
- Stores & Spares, Raw Material and Material in Transit are valued at cost.
- Material in process and finished goods are valued at cost or market value whichever is lower.

ANNEXURE - 'H'

SUNDRY DEBTORS

(Unsecured considered good)

More than six months old	61,15,291	57,08,683
Others	47,78,99,104	49,15,88,577
TOTAL	48,40,14,395	49,72,97,260

ANNEXURE - 'I'

CASH & BANK BALANCES

A) CASH BALANCES

Cash in hand (Including Imprest)	22,33,033	22,25,444
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B) BALANCES WITH SCHEDULED BANKS IN

- Current Accounts	57,615	1,15,853
- Fixed Deposit Accounts	1,48,91,177	1,68,01,236
TOTAL	1,71,81,825	1,91,42,533

**VALLABH STEELS LIMITED**

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
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ANNEXURE - 'J'**LOANS & ADVANCES****(Unsecured considered good, unless otherwise stated)**

(Unsecured considered good)

Securities Deposits	24,06,412	24,00,912
Balance with Central Excise Authorities	21,346	21,346
Prepaid expenses	47,77,251	37,98,206
Income Tax (Net)	2,34,67,014	2,32,56,443
Advances recoverable in cash or in kind or value to be received	8,43,69,833	7,60,38,227
TOTAL	<u>11,50,41,856</u>	<u>10,55,15,134</u>

CURRENT LIABILITIES & PROVISIONS**ANNEXURE - 'K'****LIABILITIES**

Sundry Creditors	34,12,39,673	24,32,95,129
Other Liabilities	1,54,78,560	1,40,92,952
Advances from customers	4,40,560	77,42,146
TOTAL	<u>35,71,58,793</u>	<u>26,51,30,227</u>



VALLABH STEELS LIMITED

PARTICULARS	FOR THE YEAR ENDED 31.03.2011 Rs.	FOR THE YEAR ENDED 31.03.2010 Rs.
ANNEXURE - 'L'		
COST OF MATERIAL CONSUMED		
Opening Stock		
Raw Material	13,96,56,947	5,30,39,936
Work in process	5,31,50,779	4,60,51,236
Finished goods	4,77,87,193	5,92,08,667
	<u>24,05,94,919</u>	<u>15,82,99,839</u>
Add : Purchases	1,82,90,49,603	2,03,02,58,025
	<u>2,06,96,44,522</u>	<u>2,18,85,57,864</u>
Less: Closing Stock		
Raw Material	11,13,25,595	13,96,56,947
Work in process	11,54,02,641	5,31,50,779
Finished goods	8,67,55,544	4,77,87,193
	<u>31,34,83,780</u>	<u>24,05,94,919</u>
Net Consumption	<u>1,75,61,60,742</u>	<u>1,94,79,62,945</u>
ANNEXURE - 'M'		
MANUFACTURING EXPENSES		
Stores & Spares consumed	23,34,59,180	25,93,71,325
Power & Fuel	11,21,70,886	11,48,46,148
Repairs		
- Machinery	76,32,773	98,89,782
- Electric	15,61,024	17,33,664
Other manufacturing expenses	33,00,884	39,92,116
TOTAL	<u>35,81,24,747</u>	<u>38,98,33,035</u>
ANNEXURE - 'N'		
PERSONNEL EXPENSES		
Salaries, Wages, Bonus and Other Benefits	3,54,49,684	3,42,74,186
Contribution towards Provident & Other Funds	31,51,464	29,97,847
Welfare Expenses	8,82,575	9,88,674
Gratuity	7,54,523	8,51,966
TOTAL	<u>4,02,38,246</u>	<u>3,91,12,673</u>



VALLABH STEELS LIMITED

PARTICULARS	FOR THE YEAR ENDED 31.03.2011 Rs.	FOR THE YEAR ENDED 31.03.2010 Rs.
ANNEXURE - 'O'		
ADMINISTRATIVE & OTHER EXPENSES		
Printing & Stationery	3,77,357	4,15,832
Telecommunication Expenses	8,63,478	10,52,508
Insurance	12,89,834	13,76,030
Travelling and Conveyance	8,36,966	6,80,082
Directors' Travelling	-	12,985
Directors' Remuneration	27,00,000	18,00,000
Rent, Rates & Taxes	16,34,767	15,59,055
Auditors' Remuneration		
- Statutory Audit Fee	40,000	40,000
- Tax Audit Fee	15,000	15,000
- Reimbursement of Expenses	26,978	32,286
Repairs & Maintenance		
- Building	6,84,288	6,41,841
- Vehicles	5,90,853	13,81,455
- General	2,84,881	2,82,592
Charity & Donation	4,200	4,201
Legal & Professional Expenses	5,42,692	8,34,528
Other Miscellaneous Expenses	12,03,670	7,14,362
TOTAL	1,10,94,964	1,08,42,757
ANNEXURE - 'P'		
FINANCIAL EXPENSES		
Interest		
- On Working Capital	3,63,58,057	2,29,59,036
- On Term Loan	11,11,571	23,23,198
- To Others	1,61,040	4,88,561
Bank Charges and Commission	19,73,174	15,60,736
TOTAL	3,96,03,842	2,73,31,531
ANNEXURE - 'Q'		
SELLING AND DISTRIBUTION EXPENSES		
Packing & Forwarding Charges	61,25,232	76,36,471
Rebate and Discount	1,25,114	3,40,281
Brokerage & Commission	24,88,562	51,19,641
Advertisement	79,687	66,161
TOTAL	88,18,595	1,31,62,554



ANNEXURE - 'R'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The financial statements, other than the cash flow statement, are prepared on accrual basis under the historical cost convention treating the entity as a going concern and in accordance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

b) Fixed Assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. The cost comprises purchase price/construction cost and any directly attributable cost of bringing the asset to its working condition for its intended use. The borrowing costs in respect of qualifying assets incurred till the asset is ready for its intended use are capitalized

c) Depreciation

Depreciation on fixed assets is charged on the written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

d) Impairment of Assets

At each balance sheet date, an assessment is made whether any indication exists that an asset has been impaired in terms of Accounting Standard 28 issued by Institute of Chartered Accountants of India (ICAI). If such an indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account and charged to the Profit & Loss Account. The impairment loss recognized in prior accounting periods is reversed if there is a change in the estimate of recoverable amount of an asset.

e) Revenue Recognition

- a) Revenue from sale of goods is recognized at the point of passing of title of the goods to the customer which generally coincides with delivery.
- b) Sale value is inclusive of excise duty paid at the time of clearance of goods but exclusive of sales tax.
- c) Export sales are accounted for on the basis of the "Let Export" date.
- d) Revenue in respect of export incentives is recognized when such incentives accrue upon export of goods.

f) Inventories

Inventories are valued at cost or net realizable value, whichever is lower after providing obsolescence, if any. The cost in respect of various items of inventory is determined as under:

- a) In case of raw materials, stores and spares, at weighted average cost;
- b) In case of work in process, at the raw material cost plus conversion cost depending upon the stage of completion of goods;
- c) In case of finished goods at the raw material cost, conversion cost and other overheads incurred to bring the goods to their present location and condition

g) Investments

Long-term investments are carried at cost less provisions, if any, for permanent diminution in value. Current investments are carried at lower of cost or fair value.

h) Foreign Exchange Transactions

Transactions in foreign currency are recorded at the exchange rates prevalent at the time of transaction. Foreign Currency assets and liabilities are stated at the exchange rates prevailing at the date of Balance Sheet or at forward contract rates, wherever so covered. Realized gains or losses on foreign exchange transactions, other than those relating to fixed assets, are recognized in the Profit and Loss Account. The difference in foreign exchange rates in the case of fixed assets is adjusted to the cost of fixed assets.



i) Accounting for taxes on Income

Provision for current tax is made on the basis of aggregate amount of income tax actually payable for the year on the estimated taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax resulting from the timing differences between book profit and tax profit is accounted for at the enacted rate of tax to the extent that the timing differences are expected to reverse in future. Deferred Tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets in respect of unabsorbed depreciation and carried forward losses are recognized only to the extent there is a virtual certainty that future taxable income will be available to realize these assets.

j) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are recognized as an expense in the Profit & Loss account in the year in which the related services are rendered by the employees.

2. Retirement benefits

Defined contribution plans

Contributions to the employees' provident fund are made in accordance with the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. Such contributions are charged to the Profit & Loss account of the year in which the related services are rendered by the employees.

Defined benefit plans

Gratuity

Liability in respect of gratuity is accounted for on the basis of an actuarial valuation. The present value of defined benefit obligation as at the end of the year is determined using the Projected Unit Credit method i.e. each period of service rendered by the employee is considered to give rise to an additional unit of benefit entitlement, gradually building up the final obligation.

k) Contingent Liabilities

No provision is made for liabilities that are contingent in nature, unless it is probable that future events will confirm that an asset has been impaired or a liability incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.

II) NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for:

- a) Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. Nil (Previous year Rs. Nil).
 - b) Letter of Credits in favour of suppliers and others Rs. Nil (Previous year Rs. Nil).
 - c) Bank Guarantees in favour of suppliers and others Rs. 2 lacs (Previous year Rs. 35.85 lacs).
 - d) Corporate Guarantee on given on behalf of others Rs. 400 lacs (Previous year Rs. 900 lacs).
2. In response to the letters sent to the suppliers seeking to know the status of their coverage under the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act) the Company has received replies from some of the suppliers. Based on these replies, there is no information that is required to be disclosed under the provisions of the said Act.



VALLABH STEELS LIMITED

3. Earnings Per Share (EPS)

	Current Year (Rs.)	Previous Year (Rs.)
Profit/(Loss) after Tax (Rs.)	56,03,670	1,60,60,183
Weighted average no. of ordinary shares	49,50,000	49,50,000
Weighted average no. of diluted shares	49,50,000	49,50,000
Nominal value of ordinary share (Rs.)	10.00	10.00
Basic Earning Per Share (Rs.)	1.13	3.24
Diluted Earning Per Share (Rs.)	1.13	3.24

4. The balances of sundry debtors and sundry creditors are subject to confirmation.
5. In the opinion of the Board of Directors, the Current Assets and Loans and Advances have a value on realization in the ordinary course of business at least equal to the value at which they are stated in the foregoing Balance Sheet, unless stated otherwise.

6. THE REMUNERATION PAID / PAYABLE TO THE MANAGING DIRECTOR IS AS UNDER:-

	Current Year (Rs.)	Previous Year (Rs.)
a) Salary	27,00,000	18,00,000
b) Other Benefits (Rs.)	6,73,010	3,91,831
Total	33,73,010	21,91,831

Computation of net profit in accordance with section 198 of the Companies Act, 1956:-

	Current Year (Rs.)	Previous Year (Rs.)
Net profit before taxation	1,07,27,916	3,33,19,701
Add: Managerial Remuneration	33,73,010	21,91,831
Net Profit under Section 349 of the Companies Act, 1956	1,41,00,926	3,55,11,532

Due to the inadequacy of profits for the year, the company has paid remuneration to its Managing Director in terms of notification GSR No 36(E) dated 16.01.2002. The remuneration is within the limits laid down in Schedule XIII to the Companies Act, 1956.

7. The company operates in only one segment: Iron & Steel.
8. The Income Tax and Sales Tax assessments of the Company have been completed upto accounting year 2006-07 and 2004-05 respectively.
9. Interest paid on working capital is net of interest received.
10. The Company has given guarantee to IDBI for a Term Loan of Rs. 4.00 crores (Outstanding Rs. 0.25 crores) given to Vardhman Industries Limited.
11. On the basis of information available with the Company and relied upon by the Auditors, no party falls under the definition of related party as defined in AS - 18 on "Related Party Disclosures" issued by ICAI.

12. Reconciliation of opening and closing balance of gratuity provision:

	Current Year (Rs.)	Previous Year (Rs.)
Liability at the beginning of the year	30,42,900	25,74,608
Liability provided during the year	2,52,500	4,68,292
Liability at the end of the year	32,95,400	30,42,900
Expenses Recognised in Profit & Loss Account		
Amount paid/provided during the year and included in Profit and Loss Account	7,54,523	8,51,966



VALLABH STEELS LIMITED

13. Deferred Tax Liability / Asset (net) pursuant to Accounting Standard 22 "Accounting for taxes on Income":

	Current Year (Rs.)	Previous Year (Rs.)
Deferred tax liability		
Relating to fixed assets	2,17,31,027	2,17,50,020
Deferred tax assets		
Disallowance u/s 43B of the Income Tax Act, 1961	16,65,914	15,09,153
Deferred Tax Liability/(Asset)(net)	2,00,65,113	2,02,40,867

14. The company has given plant and machinery on operating lease. Lease rent amounting to Rs 50,00,000/- has been credited to Profit and Loss account. The lease agreement was terminated during the year with effect from 25.08.2010.

A. As per Government of India's Notification No. SO. 477 (E) Dated 25.07.1991, licences are not required.

B. PARTICULARS OF INSTALLED CAPACITY*

Class of Goods	UOM	Current Year	Previous Year
Steel Pipes	MT	43,200	43,200
Cold Rolled Steel Strips/Coils	MT	45,000	81,000
Tube / Pipe of Steel	MT	7,500	7,500

* As certified by the Directors and accepted by the Auditors.

C. PARTICULARS OF ACTUAL PRODUCTION :

Class of goods	UOM	Current Year	Previous Year
Steel Pipes	PCS	23,25,898	26,07,388
Cold Rolled Steel Strips/Coils*	MT	53,444	48,240
Tube/Pipe of Steel	MT	2,438	2,104

D. PARTICULARS OF SALES :

Class of Goods	UOM	Current Year		Previous Year	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
Steel Ingots and its products	MT	6,244	14,72,51,359	8,952	20,27,27,535
Steel Pipes	PCS	22,43,625	99,57,37,154	28,37,791	1,10,72,84,622
Cold Rolled Steel Strips/Coils*	MT	51,090	70,11,43,247	45,850	72,45,66,007
Tube/Pipe of Steel	MT	2,420	11,66,76,793	2,092	8,95,03,815
Others			28,42,76,788		36,36,87,188
			<u>2,24,50,85,341</u>		<u>2,48,77,69,167</u>

E. RAW MATERIAL CONSUMED :

Class of Goods	UOM	Current Year		Previous Year	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
Steel Ingots	MT	23,050	67,53,69,214	25,769	66,69,38,006
Steel Strips**	MT	25,255	21,80,60,075	25,689	17,82,72,439
H.R./C.R. Coils/Strips ***	MT	25,312	93,96,03,080	34,370	1,03,23,09,489
Steel Pipes	PCS	24,310	1,56,77,574	1,31,050	6,55,93,689
Others			86,71,012		5,27,391
			<u>1,85,73,80,955</u>		<u>1,94,36,41,014</u>

* Quantity includes 35469 MT as job work production/sale (Previous Year 27617) and excludes 2764 MT (previous year 3757 MT) on account of inter unit transfer.

** Quantity includes 19200 MT transferred from Rolling Mill Division (Previous Year 20196 MT) for which value not considered.

*** Quantity includes 2467 MT transferred from C R Division to P T Mill (Previous year 2156 MT) for which value not considered.



VALLABH STEELS LIMITED

F. OPENING AND CLOSING STOCK OF GOODS PRODUCED :

Particulars	UOM	Current Year		Previous Year	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
OPENING STOCK					
Steel Ingots and its' products	MT	222	58,07,148	75	9,27,510
Steel Pipes	PCS	45,723	2,64,07,013	1,45,076	5,20,55,242
Cold Rolled Steel Strips/Coils	MT	605	1,15,73,719	98	33,43,954
Tube/Pipe of Steel	MT	91	39,99,313	79	28,81,961
			<u>4,77,87,193</u>		<u>5,92,08,667</u>

Particulars	UOM	Current Year		Previous Year	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
CLOSING STOCK					
Steel Ingots and its' products	MT	61	14,70,391	222	58,07,148
Steel Pipes	PCS	1,52,306	7,09,54,908	45,723	2,64,07,013
Cold Rolled Steel Strips/Coils	MT	202	84,72,465	305	1,15,73,719
Tube/Pipe of Steel	MT	109	58,57,780	91	39,99,313
			<u>8,67,55,544</u>		<u>4,77,87,193</u>

Current Year
(Rs.)

Previous Year
(Rs.)

G. C.I.F VALUE OF IMPORTS

-

H. EXPENDITURE IN FOREIGN CURRENCY

79,492

I. EARNING IN FOREIGN EXCHANGE

11,86,45,758

12,77,65,571

J. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL AND STORES & SPARES CONSUMED AND PERCENTAGE THERE OF:

Particulars	Current Year		Previous Year	
	Value (Rs.)	%age	Value (Rs.)	%age
a) Raw Material				
Indigenous	1,85,61,81,817	100.00	1,83,74,24,958	94.53
Imported	-	-	10,62,16,056	5.47
	<u>1,85,61,81,817</u>	<u>100.00</u>	<u>1,94,36,41,014</u>	<u>100.00</u>
b) Stores & Spares				
Indigenous	23,34,59,180	100.00	25,93,71,325	100.00
Imported	-	-	-	-
	<u>23,34,59,180</u>	<u>100.00</u>	<u>25,93,71,325</u>	<u>100.00</u>

15. Figures have been rounded off to the nearest Rupee and Metric Ton in case of amount and quantity respectively.

16. Previous year's figures have been regrouped / rearranged wherever considered necessary in order to make them look comparable with the current year's figures.

17. Annexures 'A' to 'R' form an integral part of the Balance Sheet and Profit and Loss Account.



VALLABH STEELS LIMITED

18. THE INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 : BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details																			
Registration No.									4	3	2	7	State Code	1	6				
Balance Sheet Date			3	1	-	0	3	-	2	0	1	1							
	Date			Month			Year												
II. Capital raised during the Year (Amount in Rs. Thousands)																			
Public Issue			Right Issue			Bonus Issue			Private Placement										
N I L			N I L			N I L			N I L										
III. Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)																			
Total Liabilities						Total Assets													
1 2 0 6 2 0 5						1 2 0 6 2 0 5													
Source of Funds																			
Paid-up Capital			Reserve & Surplus			Secured Loans			Unsecured Loans										
4 9 5 0 0			3 4 8 3 9 6			3 7 0 8 5 9			5 5 9 2 0										
			Deferred Credits			Deferred Tax													
			4 3 0 6			2 0 0 6 5													
Application of Funds																			
Net Fixed Assets			Investments			Net Current Assets			Capital WIP										
1 7 0 7 5 3			4 8 5 4 7			6 2 6 0 1 1			3 7 3 5										
			Accumulated Losses																
			N I L																
IV. Performance of Company (Amount in Rs. Thousands)																			
Turnover			Total Expenditure			+/-Profit/Loss Before Tax			Profit After Tax										
2 2 4 8 3 5 5			2 2 3 7 6 2 7			+ 1 0 7 2 8			+ 5 6 0 4										
			Earning per Share in Rs.			Dividend Rate %													
			1 . 1 3			N I L													
V. Generic Names of Three Principal Products/Services of Company(As per Monetary Terms)																			
a)	Item Code No.	7	2	0	9	1	7	3	0										
	Product Discription	C	O	L	D	R	O	L	L	E	D	S	T	E	E	L			
		S	T	R	I	P	S	A	N	D	S	H	E	E	T	S			
b)	Item Code No.	7	3	0	6	1	0	1	1										
	Product Discription	S	T	E	E	L	P	I	P	E	S								
c)	Item Code No.																		
	Product Discription																		

As per our separate report of even date
FOR RAJ GUPTA & CO.
 Chartered Accountants
 FRN- 000203N

For and on behalf of the Board

Sd/-
(R. K. Gupta)
 Partner
 M.No. 017039
 Place : Ludhiana
 Dated : 03.09.2011

Sd/-
(Kapil Kumar Jain)
 Chairman & Managing Director

Sd/-
(Rahul Jain)
 Director

Sd/-
(M.K. Jain)
 Director



VALLABH STEELS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

	(Rs. in Lacs)	
	Current Year 2010-11	Previous Year 2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary Items	107.28	333.19
Adjustment for:		
Depreciation	203.16	262.04
Interest expense	396.04	273.32
Operating Profit before working capital changes	706.48	868.55
Adjustment for		
Trade & other receivable	39.66	151.53
Inventories	(657.35)	(864.06)
Trade Payables	920.29	161.86
Cash Generated from operations	1009.08	317.88
Direct Taxes Paid	(53.00)	(131.00)
Net cash from operating activities	956.08	186.88
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(210.02)	(532.17)
Sale of Fixed Assets	331.47	-
Net Cash from Investing Activities	121.45	(532.17)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(396.04)	(273.32)
Repayment of term loans	(156.45)	(141.46)
Working Capital Borrowings	(444.93)	687.40
Repayment of unsecured loans	(99.72)	78.32
Net Cash used in financing Activities	(1097.14)	350.94
Net Change in Cash & Cash Equivalents (A+B+C)	(19.61)	5.65
Cash & Cash Equivalents at the beginning of the year	191.42	185.77
Cash & Cash Equivalents at the end of the year	171.81	191.42

As per our separate report of even date

For and on behalf of the Board

FOR RAJ GUPTA & CO.

Chartered Accountants

FRN- 000203N

Sd/-

(R. K. Gupta)

Partner

M.No. 017039

Place : Ludhiana

Dated : 03.09.2011

Sd/-

(Kapil Kumar Jain)

Chairman & Managing Director

Sd/-

(Rahul Jain)

Director

Sd/-

(M.K. Jain)

Director



VALLABH STEELS LIMITED

VALLABH STEELS LIMITED

Registered Office : G. T. Road, Pawa, Sahnewal, Ludhiana. 141 120

ATTENDANCE SLIP

I/We hereby record my/our presence at the 31st Annual General Meeting held on Thursday, the 29th September, 2011 at 10.00 A.M. at Registered Office of the Company at G. T. Road, Village Pawa, Sahnewal, Ludhiana.

DP. ID*	
---------	--

Master Folio No.	
------------------	--

Client ID*	
------------	--

No. of Share(s) held	
----------------------	--

NAME OF SHAREHOLDER/PROXY _____

ADDRESS _____

(SIGNATURE OF SHAREHOLDER/PROXY) _____

*Applicable for investors holding shares in electronic form.

- Notes : (i) Members/Proxyholders are requested to produce the attendance slip duly signed for admission to the meeting hall.
- (ii) Members are requested to bring their copy of Annual Report.

IT MAY KINDLY BE NOTED THAT NO GIFTS WILL BE DISTRIBUTED AT THE MEETING.

----- (Cut Here) -----

VALLABH STEELS LIMITED

Registered Office : G. T. Road, Pawa, Sahnewal, Ludhiana. 141 120

DP. ID*	
---------	--

Master Folio No.	
------------------	--

PROXY FORM

Client ID*	
------------	--

No. of Share(s) held	
----------------------	--

I/We _____ of _____
 in the district of _____ being the member/members
 of **VALLABH STEELS LIMITED**, hereby appoint _____
 of _____ in the district of _____
 or failing him/her _____ of _____
 in the district of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the 31st Annual General Meeting of the Company to be held on Thursday, the 29th September, 2011 at 10.00 A.M. and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2011.

Signature _____

Address _____

Affix a
Rs. 1/-
Revenue
Stamp

* Applicable for investors holding shares in electronic form.

- Notes : (i) A Member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend & vote on poll instead of himself/herself.
- (ii) The proxy form duly signed across the revenue stamp of Re. 1/- should reach the Company's Regd. Office at least 48 hours before the scheduled time of the meeting.

BOOK POST
(PRINTED MATTER)

If undelivered please return to :
VALLABH STEELS LIMITED
G.T. Road, Pawa, Sahnewal,
Ludhiana - 141 120.

MACRO
TEL.: 98 150-00749