



## DIRECTORS' REPORT

To,  
The Members,

Your Directors have pleasure to present the Twenty Second Report on the business and operations of the Company, along with the Audited Statement of Accounts for the Financial Year ended 31<sup>st</sup> March, 2007.

### 1. FINANCIAL RESULTS (Stand Alone Basis):

PARTICULARS	Year ended 31 <sup>st</sup> March, 2007 (Rs. in Crores)	Year ended 31 <sup>st</sup> March, 2006 (Rs. in Crores)
Sales & Other Income	2679.90	1897.06
Gross Profit before	271.75	197.09
Depreciation and Interest		
Less: Interest & Financial Charges	109.25	77.44
Cash Profit	162.50	119.66
Less: Depreciation	49.02	37.99
Profit before Tax	113.48	81.66
Less: Provision for Tax	13.28	7.33
Add: MAT Credit Entitlement	(12.86)	-
Profit after tax	113.06	74.33
Balance Carried to Balance Sheet	301.13	182.70

### 2. OPERATIONS:

Your Company has achieved a gross turnover of Rs. 2679.90 Crores as against Rs. 1897.06 Crores during the previous year. Your Company has recorded Profit Before Tax of Rs. 113.48 Crores as against Rs. 81.66 Crores during the previous year. Your Company has recorded the highest ever Sales Turnover and Profit before Tax during the year.

Your Company has added the 2<sup>nd</sup> Stand of Twin Stand Cold Rolling Mill, which will help it to achieve One Million Ton Cold Rolling Capacity in the Current Year. Your Company has also upgraded the colour coating line facilities to do Polyurethane Coating and Lamination on the Pre-painted Coil.

Owing to expansions and importance of timely execution of projects, your Board is of opinion that cash flow should not be disturbed and hence has decided to plough back earnings for the time being & not to recommend dividend payout.

### 3. EXPORTS:

Your Company increased its export turnover by 38% from Rs. 1053.94 crores to Rs. 1455.83 crores. In terms of volume the increase is about 16%. Your Company achieved a record export of around 36,000 MT of color coated coils to developed countries in Europe and Russia. The exports to European countries have grown over 250% over the last year. Your Company is now an established player in value added pre painted coils segment.

The CR wider mill of 1650 mm and wider galvanizing mill should be operational during this financial year and your Company expects to increase the export volume substantially.

They say "to make the first million is the most difficult task". Then the millions will follow automatically. How true it is in the case of your Company! Your Company achieved the one million ton landmark in September 2004 after having started exports in 1996 but now your Company has achieved two million ton mark in less than three years in June, 2007 after achieving the first million.

### 4. DOMESTIC MARKET:

Your Directors are pleased to inform you that your Company continue to enjoy the goodwill & business of reputed customers such as Mahindra & Mahindra, Bajaj Auto, Force Motors & Others as is evident from the renewals of our long term contracts.

Your Company has been quite successful with white goods industry during the year and is now the vendor to customers like Godrej Appliances, Bajaj Electricals, and Haier Appliances. Your Company also continues to supply the vendors of TATA Motors, General Motors, Whirl Pool, LG Electronics etc.

During the year, your Company successfully introduced pre-painted sheets to the Indian roofing industry and continues to get repeat business from profile makers and roof manufacturers. The galvanized sheets manufactured by your Company are used in prestigious projects like the Hyderabad International airport, where these are used as sandwich panel for roofing.

### 5. MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to Clause 49(IV)(B) & (F) of the Listing Agreement your Directors wish to report as follows:

#### a. Industry Structure and Development

The unprecedented growth of the auto industry in India have given a new impetus to Indian cold rolling mills to bench mark their product quality to that of European and Japanese standards. In this context your Company is working towards increasing its share of value added supplies to Auto and White goods industry both for Cold Rolled and galvanized products. Your Company is also consistently climbing the value chain by introducing products like pre-painted coils and laminated coils.

#### b. Opportunities and Threats

There exists a great opportunity in the export market for our Galvanised Products and Pre-Painted Coils. Your Company is now well established in the US and European markets and this will enable it to increase volumes and command a premium for its thin gauge Galvanised Products. Your Company is the largest Galvanised Steel Exporter to the US Market from India.

The main threat continues to be the volatile price of HR coils and its availability not only in Indian market but also in International markets. This may affect the profitability of your Company to some extent during the course of next year.

**c. Segment – wise Performance**

Since your Company operates only in one Segment, Segment wise or product wise analysis or performance is not applicable.

**d. Outlook**

The outlook for steel industry is good in short term and very good in the long term. With both the export and domestic markets growing, your Company sales will also increase. There has been a 35% increase in production of crude steel in the past 10 years and the trend is expected to continue. China alone has increased its steel production three fold in the last 10 years from 109 million tons to 423 million tons in 2006. Compared to that in India production is still only 44 million tons. With several infrastructure projects coming up and demand for steel growing more than 10% every year, the Indian steel industry has a very bright outlook.

**e. Risks and Concerns**

Your Company has appointed M/s. KPMG to carry out a study of risks involved in our business. Based on their recommendations your Company shall implement adequate systems and measures to take care of all the risk exigencies involved in our business.

**f. Internal Control Systems and their adequacy**

Effective internal operational control systems and regular internal audit mechanisms to monitor and review the same under the overall control and supervision of the Audit Committee of Directors are in place and functioning well. KPMG has been additionally appointed to carry out the Internal Audit of the Company. Efforts for continued improvements are being consistently made in this regard.

**g. Discussion on Financial Performance with respect to Operational Performance**

The financial performance with respect to the operational performance during the year under review was good due to which Your Company has been able to achieve the good financial results, which would help the Company to complete the on-going expansion.

**h. Material Development in Human Resources/Industrial Relations Front, including Number of People Employed**

Implementation of healthy HRD practices for overall development of human resources and induction of professionally qualified and skilled manpower including internal and external training programmes are the constant features of your Company. Presently, your Company employs 1200 employees. Your Company is proud of its healthy Industrial Relations record.

**i. Material Financial and Commercial Transactions with related parties:**

There are no materially significant financial and commercial transactions with the related parties conflicting with the interest of the Company during the financial year under review. The Promoters and the Directors are not dealing in the Equity Shares of the Company.

**6. CORPORATE GOVERNANCE:**

Your Company has implemented all the mandatory requirements pursuant to Clause 49 (as amended) of the Listing Agreement. A detailed report on Corporate Governance along with a certificate from the Auditor confirming the compliance is annexed hereto and forms part of the Directors' Report as Annexure-III.

**7. DIRECTORS:**

During year under review Shri Rajinder Miglani was re-appointed as Chairman & Managing Director of the Company for the period of 3 years from 31<sup>st</sup> December, 2006 to 30<sup>th</sup> December, 2009 and Shri Anuj Miglani was re-appointed as Dy. Managing Director of the Company for the period of 3 years from 10<sup>th</sup> November, 2006 to 9<sup>th</sup> November, 2009.

Shri P. G. Kakodkar, Dr. N. S. Datar and Shri Anuj Miglani, retire by rotation and being eligible have offered themselves for re-appointment. The Board of Directors recommends their re-appointments.

Shri Kishor Naik was appointed as a Nominee Director of ICICI Bank Ltd. on 17<sup>th</sup> July, 2007 in place of Smt. Shaila Sarpotdar.

Your Directors wish to take this opportunity to place on record sincere appreciation and thanks to Smt. Shaila Sarpotdar for her valuable guidance and services rendered to the Company during her tenure as a Director.

**8. PARTICULARS OF EMPLOYEES U/S. 217(2A) OF THE COMPANIES ACT, 1956:**

Information required for particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 is enclosed herewith as Annexure – II.

**9. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) Appropriate Accounting Policies have been selected and applied consistently. 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 as at 31<sup>st</sup> March, 2007 and of the Profit and Loss A/c for the financial year 2006-2007 have been made.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies



Act, 1956, for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;

- iv) The Annual Accounts have been prepared on a going concern basis.

#### 10. AUDITORS' REPORT:

During the year your Company has implemented MFG-PRO, internationally acknowledged Enterprise Resource Planning (ERP) Software, which has been supported by implementation partner i.e. Tata Consultancy Services (TCS), an expert in concerned field. Initial teething and stabilization problems in different modules were by & large overcome by the end of the financial year, except inventory / manufacturing module.

#### 11. AUDITOR:

M/s. Prakkash Muni & Associates, Chartered Accountants was appointed as a Statutory Auditor of Company to hold office upto the conclusion of next Annual General Meeting in place of retiring Auditor Shri Yogesh B. Mehta who do not seek re-appointment at the ensuing Annual General Meeting.

M/s. Prakkash Muni & Associates have signified their consent to act as a Statutory Auditor of the Company. Necessary eligibility certificate U/s. 224 (1B) of the Companies Act, 1956 has been received from them.

Your Directors take this opportunity to express their deep sense of gratitude and sincere appreciation to Shri Yogesh B. Mehta for his valuable services offered to the Company for more than two decades.

#### 12. FIXED DEPOSITS:

Your Company has not accepted Deposits from Public U/s. 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975.

#### 13. INSURANCE:

Your Company has taken adequate insurance cover for all its Assets.

#### 14. ISSUE OF GDRs:

During the year the Company has Issued Global Depository Receipt (GDRs) of USD 20 million at an offer price of USD 0.915 per GDR each representing 1 Equity Share of Rs. 10/- each at a premium of Rs. 30/- each with a Green Shoe option to the extent of USD 10 million. The said GDRs are listed at Singapore Stock Exchange.

#### 15. LISTING OF SECURITIES:

8,34,32,673 Equity Shares of Rs. 10/- each are listed with the Stock Exchanges at Mumbai, Kolkata, Delhi and National Stock Exchange of India Limited, Mumbai.

The Company has received the listing permission from BSE and In-principle approval from NSE for the listing of the 2,18,57,924 underlying Equity Shares issued against GDRs.

The Company has paid the listing fees for the financial year 2007-2008 to BSE, NSE and DSE.

Approval for de-listing of Equity Shares is awaited from the Calcutta Stock Exchange Association Ltd.

#### 16. DEMAT OF SECURITIES:

Nearly 60.34% of total Equity Share Capital is held in dematerialized form with NSDL/CDSL.

#### 17. SUBSIDIARY COMPANY:

There is one wholly-owned subsidiary Company namely MKR International Limited incorporated in British Virgin Islands as an International Business Company, the accounts of which are consolidated along with the accounts of your Company pursuant to Section 212 of the Companies Act, 1956.

The Consolidated Audited Annual Accounts of the Company together with its Subsidiary for the Financial Year 2006-2007 are being published in the Annual Report of the Company pursuant to Clause 32 of the Listing Agreement.

As per Section 212 of the Companies Act 1956, we are required to attach the Director's Report, Balance Sheet, and Profit and Loss Account of the subsidiary. We have applied to the Ministry of Company Affairs for an exemption from such attachment, as we present the audited consolidated financial statement in the Annual Report. Accordingly, the Annual Report does not contain separate financial statement for this subsidiary Company.

#### 18. DISCLOSURES:

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto (Annexure - I) and forms part of this report.

#### 19. ACKNOWLEDGEMENT:

Your Directors take this opportunity to express their deep gratitude to the Central, State & Local Governments, Financial Institutions and Banks for their continued support, co-operation and guidance.

Your Directors also like to place on record their sincere appreciation for the total commitment, dedication and hard work put in by every member of the Utam Galva Family.

Your Directors express their gratitude to the esteemed customers of the Company for the continuous confidence and faith, which they have shown in the products and services of your Company.

And to you our Shareholders, we are deeply grateful for the confidence and faith which you have always placed in us.

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> July, 2007

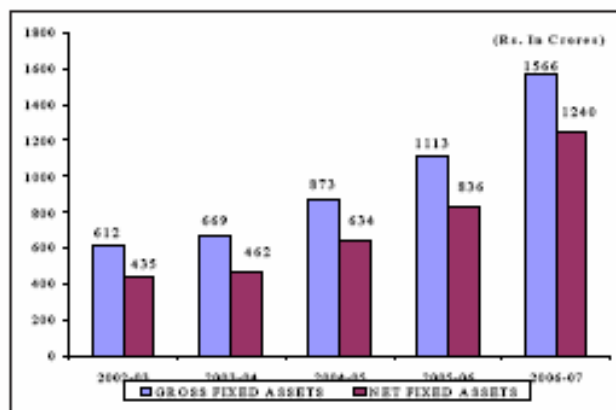
**Rajinder Miglani**  
Chairman & Managing Director

## FINANCIAL HIGHLIGHTS

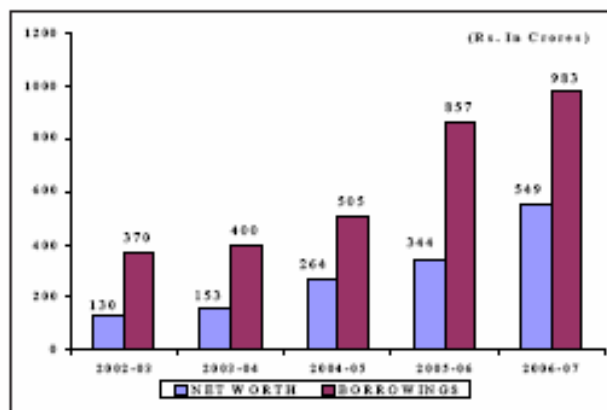
PARTICULARS	2006-07	2005-06	2004-05	2003-04	2002-03
<b><u>SALES &amp; EARNINGS</u></b>					Rs. in crores
LOCAL SALES	1,224	843	714	478	325
EXPORT SALES	1,456	1,054	1,442	742	528
<b>GROSS SALES</b>	<b>2,680</b>	<b>1,897</b>	<b>2,156</b>	<b>1,220</b>	<b>853</b>
OTHER INCOME	4	10	5	4	2
TOTAL INCOME	2,684	1,907	2,162	1,225	856
LESS: CENTRAL EXCISE DUTY	105	109	64	58	45
LESS: SELLING & DISTRIBUTION EXPENSES	136	106	131	63	53
<b>SALES &amp; OTHER INCOME</b>	<b>2,443</b>	<b>1,692</b>	<b>1,967</b>	<b>1,104</b>	<b>758</b>
MATERIAL COST	2,011	1,366	1,651	874	572
OTHER EXPENDITURE	161	129	116	100	81
<b>PBIDT</b>	<b>271</b>	<b>197</b>	<b>199</b>	<b>130</b>	<b>105</b>
INTEREST	109	77	65	74	67
<b>PROFIT BEFORE DEPRECIATION &amp; TAX (PBDT)</b>	<b>162</b>	<b>120</b>	<b>135</b>	<b>56</b>	<b>38</b>
DEPRECIATION	49	38	32	30	28
PBT	113	82	103	25	10
<b>PROFIT AFTER TAX (PAT)</b>	<b>113</b>	<b>74</b>	<b>95</b>	<b>24</b>	<b>10</b>
CASH ACCRUALS	162	112	127	54	38
<b><u>ASSETS &amp; LIABILITIES</u></b>					
FIXED ASSETS GROSS	1,566	1,113	873	689	612
FIXED ASSETS NET	1,240	836	634	482	435
TOTAL ASSETS	1,532	1,201	769	553	500
<b><u>REPRESENTED BY</u></b>					
<b>NET WORTH</b>	<b>549</b>	<b>344</b>	<b>264</b>	<b>153</b>	<b>130</b>
SHARE CAPITAL EQUITY	105	83	80	70	67
PREFERENCE	3	5	5	5	5
SHARE APPLICATION MONEY	0	0	1	0	6
RESERVES	441	256	178	78	63
BORROWINGS	983	857	505	400	370
<b>LONG TERM SECURED</b>	<b>683</b>	<b>448</b>	<b>388</b>	<b>301</b>	<b>298</b>
UNSECURED	220	197	7	22	23
SHORT TERM	80	212	110	76	50
TOTAL FUNDS	1,532	1,201	769	553	500
<b><u>RATIOS</u></b>					
EARNING PER EQUITY SHARE	13.52	9.13	12.57	3.43	1.44
BOOK VAUE PER EQUITY SHARE	52.19	41.19	32.92	22.04	18.45
DEBT EQUITY RATIO	1.24:1	1.30:1	1.47:1	1.96:1	2.29:1



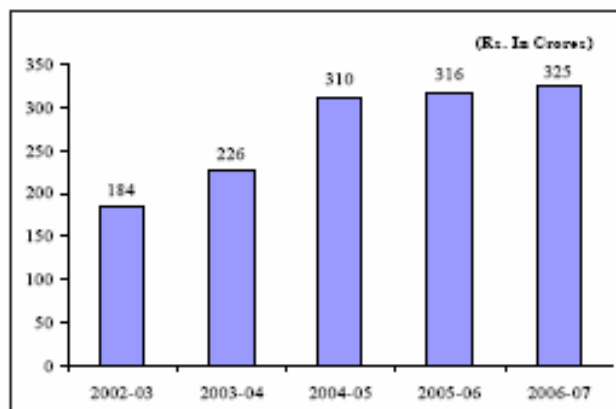
## FINANCIAL HIGHLIGHTS



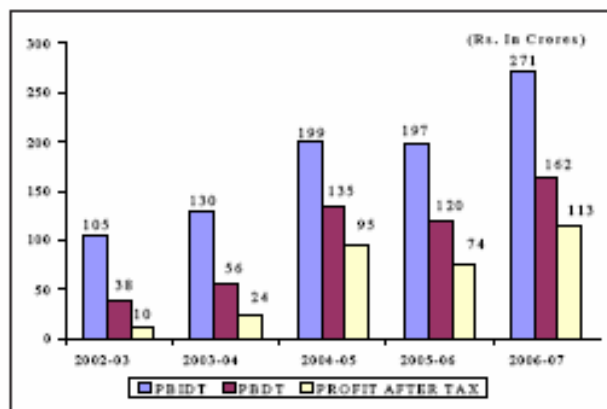
FIXED ASSETS



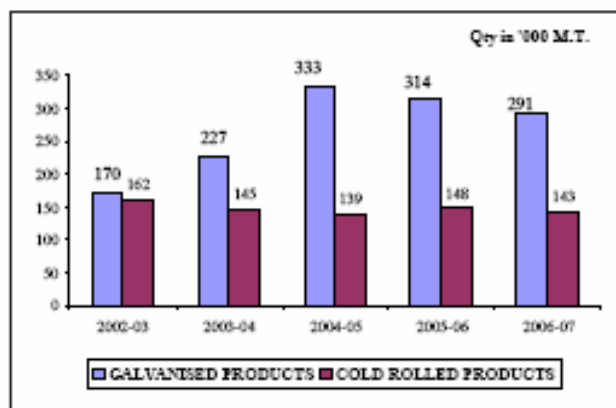
NETWORTH AND BORROWINGS



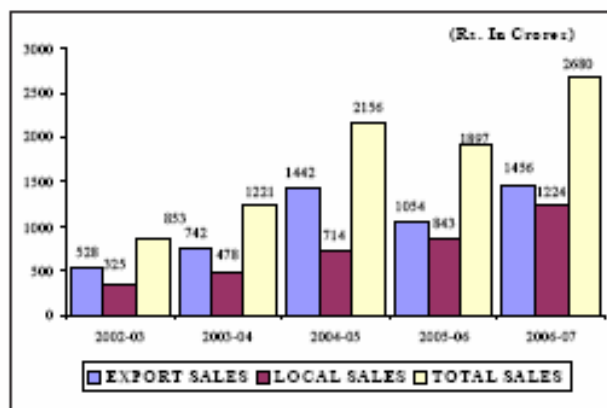
VALUE ADDITION



PBIT/PBDT/PROFIT AFTER TAX



SALEABLE PRODUCTION



TOTAL SALES

**Uttam Galva Steels Limited**
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**

	Schedule	As at 31.03.2007		As at 31.03.2006
		Rupees Crores	Rupees Crores	Rupees Crores
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	A	108.29		87.93
Reserves & Surplus	B	441.20		255.70
			549.49	343.63
<b>LOAN FUNDS</b>				
Secured	C	763.34		608.03
Unsecured	D			
- FCCB		192.59		191.53
- Others		27.01		57.46
			982.94	857.02
<b>TOTAL</b>			<b>1532.43</b>	<b>1200.65</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	E	1121.61		973.99
Less: Depreciation		326.09		277.20
<b>NET BLOCK</b>		795.52		696.79
Capital Work-in-Progress		444.17		139.32
			1239.69	836.11
<b>INVESTMENTS</b>	F		3.13	0.11
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	G	527.14		330.55
Sundry Debtors		243.43		117.03
Cash & Bank Balances		22.81		5.29
FCCB & Other Short Term Deposits		186.72		195.33
Loans & Advances		427.99		367.73
		1408.09		1015.94
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>				
Current Liabilities	H	1105.20		644.18
Provisions		13.28		7.33
		1118.48		651.51
<b>NET CURRENT ASSETS</b>			<b>289.61</b>	<b>364.43</b>
<b>TOTAL</b>			<b>1532.43</b>	<b>1200.65</b>
<b>ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>				
	P			

As per my report attached

For and on behalf of the Board

 For Yogesh B. Mehta  
 Chartered Accountant

 Rajinder Miglani  
 Chairman & Managing Director

 Praveen Miglani  
 Director

 Yogesh B. Mehta  
 Proprietor

 R. K. Agrawal  
 Vice President & Company Secretary

 Place : Mumbai  
 Dated : 30<sup>th</sup> July, 2007



## PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2007

	Schedule	As at 31.03.2007 Rupees Crores	As at 31.03.2006 Rupees Crores
<b>INCOME</b>			
<b>Sales</b>			
Local		1224.07	843.12
Export		1455.83	1053.94
<b>Gross Sales</b>	I	2679.90	1897.06
<b>Loss: Excise Duty</b>		(104.61)	(108.86)
<b>Net Sales</b>		2575.29	1788.20
<b>Other Income</b>	I	4.40	9.60
<b>TOTAL</b>		2579.69	1797.79
<b>EXPENDITURE</b>			
Materials Cost	J	1956.36	1378.88
(Increase)/Decrease in Stock	J	54.24	(12.79)
Other Manufacturing Expenses	K	118.33	92.31
Selling & Distribution Expenses	L	135.85	105.79
Payment to Employees	M	28.42	23.53
Administrative Cost	N	14.74	12.98
		2307.94	1600.70
<b>Profit Before Interest, Depreciation &amp; Tax</b>		271.75	197.09
Interest & Financial Charges (Net)	O	109.25	77.44
<b>Profit Before Depreciation &amp; Tax</b>		162.50	119.66
Depreciation		49.02	37.99
<b>Profit Before Tax</b>		113.48	81.66
<b>Loss: Provision for Tax - MAT</b>		12.91	6.87
<b>Add: MAT Credit-Entitlements</b>		12.86	0.00
<b>Less: Provision for Fringe Benefit Tax</b>		0.37	0.46
<b>Profit After Tax</b>		113.06	74.33
<b>Add: i) Balance C/F from earlier years - P&amp;L A/C</b>		182.70	109.24
<b>Profit available for Appropriation</b>		295.76	183.57
<b>Appropriated as under: (i) Credits/(Debits) pertaining to prior years - Taxes</b>		5.87	0.00
(ii) Balance Transferred to Capital Redemption Reserve		1.50	0.87
(iii) Balance Carried to Balance Sheet		301.13	182.70
Basic and Diluted Earnings Per share (in Rs.)		13.52	9.13
<b>ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>	P		

As per my report attached

For and on behalf of the Board

For Yogesh B. Mehta  
Chartered Accountant

Rajinder Miglani  
Chairman & Managing Director

Praveen Miglani  
Director

Yogesh B. Mehta  
Proprietor

R. K. Agrawal  
Vice President & Company Secretary

Place : Mumbai  
Dated : 30<sup>th</sup> July, 2007