

**39TH
ANNUAL - REPORT
2009-2010**

Rathi Steel and Power Ltd.

OUR TRIBUTE TO THE FOUNDER



LATE SHRI PUNAM CHAND JI RATHI
(1934 – 2010)

A great visionary, innovator and entrepreneur of extraordinary abilities.

Our revered founder, Shri Punam Chand Ji Rathi was an exceptional human being and an outstanding leader. He was a man of vision and commitment. His life and achievements prove that backed by confidence, courage and conviction, man can achieve the impossible. Steel being the family business of the Rathis, he engaged himself in the industry at an early age. In 1971 he established Rathi Steel And Power Limited (then Rathi Udyog Ltd.) by establishing a plant at Ghaziabad, and introduced the TOR® technology which brought a revolution in construction steel. A technology conscious, he laid emphasis on latest technologies and as a result, Thermex® technology for TMT Steel was adopted by the company.

Shri Punam Chand Ji Rathi was recognized in the industry for his great technical expertise and administrative capabilities. Under his capable guidance and direction, the Company undertook several expansions and modernizations programmes successfully and has grown by leaps and bounds. The integrated plant at Sambalpur was the outcome of his farsightedness and encouragement. We piously salute this great Karmyogi and carry his vision and legacy forward as a tribute to him.

We are fortunate to have had a personality of Shri Punam Chand Ji Rathi's stature in our midst. He proved that with perseverance, hard work and dedication even the impossible becomes achievable. His sterling leadership qualities, remarkable foresight, uncompromising pursuit of excellence, humility, prodigious capacity to motivate and trust people, will continue to guide and inspire future generations at RATHI. We are proud and privileged to inherit this invaluable legacy.

The legend Shri Punam Chand Ji Rathi will always remain amongst us. His spirit will live on forever!

BOARD OF DIRECTORS

Sh. Pradeep Rathi
Sh. Prem Narayan Varshney
Sh. S.K.Daga
Sh. Dwarka Das Lakhotia
Sh. Ranjit Khattar

COMPANY SECRETARY

Sh. N. K. Garg

AUDITORS

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

LEGAL ADVISOR

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

BANKERS

Bank of Baroda
Canara Bank
Syndicate Bank
State Bank of India
Lakshmi Vikas Bank
Dena Bank

REGISTERED OFFICE

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

CORPORATE OFFICE

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

WORKS:
Unit-1

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

Unit-2

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

**REGISTRAR & SHARE
TRANSFER AGENT**

Mas Services Limited
T-34, IInd Floor, Okhla Ind. Area
Phase- II, New Delhi- 110020
Ph: 011-26387281-82-83
Fax: 011-26387284

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the members of Rath Steel And Power Limited will be held on Thursday 30th September 2010 at 10.00 a.m. at Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO, New Delhi - 110002 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet of the Company as at 31st March 2010, and the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Dwarka Das Lakhota, who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), if any, the following resolution as an ORDINARY RESOLUTION

"Resolved that M/s M. Lal & Co, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

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

Resolved that pursuant to the provisions of section 198, 269, 309 and 310 read with schedule XIII and other applicable provisions, if any, of the companies act, 1956 (including any statutory modification and re-enactment thereof for the time being in force) and subject to such approvals / sanctions as may be necessary, approval of the company be and is hereby accorded to the payment of revised salary of Rs. 2,40,000/- per month, perquisite and allowances for himself and his family like use of car with driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family to Shri Pradeep Rath with effect from 01st April 2010 with liberty to the Board of Directors to alter very from time to time such terms including increase in remuneration, perquisite and allowances payable as may be considered expedient and agreed by Shri Pradeep Rath within the limitation contained in Schedule XIII of the Companies Act, 1956.

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

Resolved that pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 including statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time and subject to such

approvals, permissions and sanctions and pursuant to the Director's Relative (office or place of Profit) Rules 2003 or any amendment or substitution thereof, consent of the company be and is hereby accorded to the appointment of Shri Udit Rath, who is a relative of a director to hold an office or place of profit under the company as Executive Officer of the Company with effect from 01st May 2010 on a monthly remuneration of Rs. 45000/- per month along with perquisites and allowances as per company's rules.

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

Resolved that pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 including statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time and subject to such approvals, permissions and sanctions and pursuant to the Director's Relative (office or place of Profit) Rules 2003 or any amendment or substitution thereof, consent of the company be and is hereby accorded to the appointment of Shri Shrivardhan Rath, who is a relative of a director to hold an office or place of profit under the company as Executive Officer of the Company with effect from 01st May 2010 on a monthly remuneration of Rs. 45000/- per month along with perquisites and allowances as per company's rules.

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

"Resolved that in suppression of the resolution limiting the borrowing powers of the Board of Directors of the Company upto 400 crores passed at the Annual General Meeting of the Company held on 29th September 2007, the Board of Directors of the Company be and is hereby authorized under section 293(1)(d) of the Companies Act, 1956 to borrow money from time to time on such securities and on such terms and conditions as the Board may deem fit upto a limit not exceeding in the aggregate of Rs 1000 crore including foreign borrowing like foreign convertible currency bonds, foreign currency bonds etc. notwithstanding that money to be borrowed together with the money already borrowed by the company apart from temporary loans obtained from the company's bankers in the ordinary course of business will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

By order of the Board of Directors
For Rath Steel And Power Limited

Sd/-

NK Garg

Company Secretary

Place: New Delhi

Date: 03/09/2010

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of him-self and the proxy

need not be a member of the company. The instrument appointing the proxy should, however be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.

2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the meeting.
4. Members who hold shares in dematerialized form are requested to write their client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
5. The Register of Member and Share Transfer books of the company will remain closed from 25th September 2010 to 30th September 2010 (both days Inclusive).
6. Dividend on Equity Shares as recommended by the Board for the financial year ended on 31st March 2010 if declared at the meeting will be paid to those members whose name appear in the Register of Members as on 30th September 2010.
7. As mandated by SEBI, the company is providing Electronic Clearing Services (ECS) facility to the members whereby members are able to receive their dividend by way of electronic credit directly to their bank account. In the absence of availing of this option by the members, the company shall send warrants for disbursing dividend. Members desiring to avail of this facility are requested to provide the bank detail with photo copy of cheque for verifying the accuracy of Bank detail with MICR code number.
8. The members who are interested to avail the nomination facility may obtain the necessary application form From Registrar & Share Transfer agent.
9. All correspondence relating to the transfer and transmission, sub-division of shares, issue of duplicate share certificates, change of address, dematerialization of shares, payment of dividend etc. will be attended at the registered office of the company and shall be processed at the office of the Registrar and Share transfer agent.
10. The queries, if any, on the accounts should be sent to the company at its registered office such a way that the company will receive the same at least 10 days before the Annual General meeting.
11. Pursuant to the recommendation of SEBI committee on corporate governance about re-appointment of the retiring Directors, the relevant detail of the concerned directors are given in the report on Corporate Governance form part of the Director's Report.

EXPLANATORY STATEMENT:

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

ITEM NO. 5

Shri Pradeep Rath, Managing Director of your company has vast experience in the field of Performing various

Administrative duties and responsibilities and also connected with field of Steel Manufacturing since last 3 decades. Considering of all above facts the Board has decided to promote him and increase his Salary to Rs. 2,40,000 p.m. plus perquisites and allowances to him and his family like use of car with driver, telephone at residence, reimbursement of medical including hospitalization expenses for self and family.

ITEM NO. 6

Keeping in view the experience and active involvement of Shri Udit Rath, Executive officer of the Company, into the affairs of the Company specially expansion and diversification activities in the Company. The Board of Directors in their meeting held on 14th day of May 2010 has approved their appointment. None of the Directors except Shri Pradeep Rath is directly concern or interested in the aforesaid resolution.

ITEM NO. 7

Shri Shrivardhan Rath is a bachelor of Economics from London School of Economics. Your Directors are definite that inclusion of him in the company will be to the immense benefit of the marketing and production side of your company. The Board of Directors in their meeting held on 14th day of May 2010 as approved their appointment. None of the Directors except Shri Pradeep Rath is directly concern or interested in the aforesaid resolution.

ITEM NO. 8

As the members are aware your company is exploring various opportunities for the all round growth of the Company through expansion, diversification by taking up various projects in the Company. With a view to meet the Capital Expenditure and other funds requirements, the Company would require to borrow funds from time to time by way of loans, Corporate Loan, Guarantees etc. As per 293 (1)(d) of the Companies Act, 1956 borrowing (apart from temporary loans obtained from the company's bankers in the ordinary course of business) by the Board beyond the aggregate of the paid up capital of the Company and free reserves requires approval from the shareholders of the Company. The Board of Directors were authorised by the resolution dated 03rd day of September 2010 to borrow monies upto a limit of Rs. 1000 crore under section 293(1) (d) of the Companies Act, 1956. To meet the increasing financial requirements on account of continuous expansion plans of the Company and to be in tune with the internal policies of some bankers who are considering temporary working capital loans as monies to be covered by the borrowing under section 293(1)(d) of the Companies Act, 1956. It was felt necessary that the borrowing power of the Board of Directors be increased from Rs. 400 crore to Rs. 1000 crore.

The Board recommends the above resolution for your approval. None of the Directors is concerned or interested in the above resolution.

By order of the Board of Directors
For Rath Steel And Power Limited
Sd/-
NK Garg
Company Secretary

Place: New Delhi
Date: 03/09/2010

DIRECTORS' REPORT

The Directors have pleasure in presenting the 39th Annual Report together with the audited accounts of the company for the year ended 31st March 2010.

FINANCIAL RESULTS

Particulars	(Rs. in lacs)	
	Year ended 31 st March 2010 (Rs. in Lacs)	Year ended 31 st March 2009 (Rs. in lacs)
Sales	77898.52	79624.97
EBITDA	5264.10	5099.69
Interest	2828.10	2766.85
Depreciation	1815.48	1586.67
Profit before Tax (PBT)	620.38	746.17
Net Profit after Tax (PAT)	437.85	1113.29
Dividend and Dividend Tax	109.89	85.31

DIVIDEND:

Keeping in view the future plans for expansion and the need to conserve resources, your directors are pleased to recommend a dividend of Re. 0.30 per share on 31,30,811 Equity Share for the year 2009-2010.

PERFORMANCE REVIEW AND FUTURE PLAN:

The Gross Sales for the financial year under review were Rs. 779 Crore as against Rs. 796 Crore for the previous

financial year. The operational performance of the Company has been comprehensively covered in the Management Discussion and Analysis report.

FUTURE OUTLOOK

Over calendar year 2009, world crude steel production declined by 8 per cent to 1,220 million tonnes, over 1.4 per cent drop in the preceding year. Earlier, global steel output had increased by 9 per cent in 2006, which eased to 7.9 per cent in 2007. Steel production weakened in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2009. However, Asia, in particular China and India, and the Middle East showed positive growth over the year.

China's crude steel production in 2009 reached 567.8 million tonnes, an increase of 13.5 per cent on 2008. The country's share of world steel production which continued to grow, reached 47 per cent, an increase of 9 percentage points compared to 2008. Asia produced 795.4 million tonnes (+3.5%) of crude steel. Japan produced 87.5 million tonnes (-26.3%). India's crude steel production was 56.6 million tonnes (+2.7%) and that of South Korea 48.6 million tonnes (-9.4%). The EU-27 where all major steel producing countries showed substantial decline recorded a decrease of 29.7 per cent, producing 139.1 million tonnes of crude steel. Crude steel production in North America was 82.3 million tonnes (-33.9 per cent). USA produced 58.1 million tonnes (-36.4 per cent). The CIS showed a decrease of 14.7 per cent in 2009. Russia produced 59.9 million tonnes of crude steel (-12.5 per cent).

The World Steel Association (world steel) represents approximately 180 steel producers (including 19 of the world's 20 largest steel companies), national and regional steel industry associations, and steel research institutes. World steel members produce around 85 per cent of the world's steel.

FORECAST FOR INDIA				
	2008	2009	2010	2011
GDP at market prices (% increase)	6.1	6	7.5	8
Private Consumption (% increase)	2.9	4	6.7	7.5
Government Consumption (% increase)	20.2	10	7	6.5
Fixed Investment (% increase)	8.3	4.9	10.5	10.9
Export* (% increase)	12.8	-6.8	11.1	13.1
Import* (% increase)	17.9	-8	11.6	13.3
Nominal GDP (\$ billion)	1112	1232	1467	1725
Population (million)	1183	1197	1211	1224
GDP per capital (current USD)	940	1029	1212	1409
* Goods and non-factor services				

(source worldsteel.org)

On the other hand world crude steel production for the 66 countries reporting to the World Steel association (world steel) was 119 million metric tons (mmt) in June. This is 18% higher than June 2009.

World crude steel production in the first six months of 2010 was 706 mmt, 27.9% higher in comparison with the same period of 2009. All the regions showed increased crude steel production during the first half of 2010 compared to the first half of 2009.

Although production in the first half of 2010 increased by 7.2% compared to the same period of 2007, just before the global economic crisis, most of the world has not recovered to pre-crisis levels. Only Asia and the Middle East showed increased crude steel production compared to the first six months of 2007. Crude steel production in the EU, CIS, US and Canada is still more than 15% below 2007 levels.

China's crude steel production for June 2010 was 53.8 mmt, an increase of 9% compared to June 2009. Elsewhere in Asia, Japan produced 9.4 mmt of crude steel in June 2010, up 35.9% compared to the same month last year. South Korea's crude steel production for June 2010 was 4.8 mmt, 21.9% up compared to the same month last year.

In the EU, Germany's crude steel production for June 2010 was 3.9 mmt, an increase of 53.4% on June 2009. Italy produced 2.3 mmt, 32.8% higher than the same month in 2009. France produced 1.5 mmt of crude steel in June 2010, an increase of 31.4% compared to June 2009. Turkey produced 2.5 mmt of crude steel in June 2010, 13.8% higher than June 2009. Russia produced 5.4 mmt of crude steel in June 2010, a 6% increase over the same month in 2009 and Ukraine's crude steel production for June 2010 was 2.5 mmt, up 7.2% compared to the same month last year.

The US produced 7.2 mmt of crude steel in June 2010, an increase of 65% compared to June 2009. Brazilian crude steel production was 2.9 mmt, 46.8% higher than June 2009.

The world crude steel capacity utilisation ratio of the 66 countries in June 2010 declined again to 80.6% from 82.0% in May 2010. Compared to June 2009, the utilisation ratio in June 2010 increased by 8.3 percentage points.

PUBLIC DEPOSITS:

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

DIRECTORS:

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

AUDITORS AND AUDITOR'S REPORT:

M/s M. Lal & Co., Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed that their appointment, if made, would be in conformity with the

limit prescribed under section 224(1B) of the Companies Act, 1956. The notes to the accounts referred to in by the Auditors are self explanatory and therefore do not calls for any further comment.

PARTICULARS OF EMPLOYEES:

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

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

DIRECTOR RESPONSIBILITY STATEMENT:

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

- (i) That in preparation of the annual accounts for the financial year ended 31.03.2010 the applicable accounting standard had been followed along with proper explanations relating to material departure.
- (ii) That the selected accounting policies were applied consistently and the directors made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2010 and of the profit of the company for the year ended on that date.
- (iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies act 1956 for safeguarding the assets of the company and by preventing and detecting fraud and other irregularities.
- (iv) That the annual accounts of your company have been prepared on going concern basis.

LISTING OF SHARES:

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

CORPORATE GOVERNANCE:

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

MANAGEMENT DISCUSSION AND ANALYSIS:

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

INDUSTRIAL RELATIONS:

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

ACKNOWLEDGEMENT:

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

By order of the Board of Directors
For Rathi Steel And Power Limited
Sd/- Sd/-
Prem Narayan Varshney Pradeep Rathi
Whole Time Director Managing Director

Place: New Delhi
Date: 03/09/2010

ANNEXURE TO THE DIRECTORS' REPORT:

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2010.

(A) CONSERVATION OF ENERGY:

The Company has taken a number of steps to improve

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

(a) Energy conservation measures taken:

- Optimization of capacity utilization thus reducing specific consumption of energy.
- Optimization of pump and motor operations through standard operating practices.
- Strict control of quality input thus saving electricity consumption.
- Minimization of handling losses.

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy. NIL

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

(d) The per ton power consumption has been under control.

(B) TECHNOLOGY ABSORPTION:

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

(C) FOREIGN EXCHANGE EARNING AND OUTGO:

(a) Activities relating to exports: initiatives taken to increase export, development of new export market for products and services and export plan.

(b) Total foreign exchange used and earned

	2009-10 Amount (Rs.)	2008-09 Amount (Rs.)
Used	108453509	106890965
Earned	NIL	72404089

FORM A

Disclosure of Particulars with respect to Conservation of Energy

A. POWER AND FUEL CONSUMPTION			
S. No.	Particulars	Current Year (2009-10)	Prev. Year (2008-09)
1.	Electricity		
	(a) Purchased units (KWH)	44755649	43102842
	Total Amount (Rs.)	188689977	181314200
	Rate/unit (Rs.)	4.22	4.23
	(b) Own Generations:	120621500	58695000
2.	Coal fines	83510	54911.43
3.	Gases & Fuels		
	(a) Natural Gas/ RFO/FO/LDO	9052420	10102580
	(b) National Gas Rs.Per SCM	14.33	14.18
	(c) F.O. (Rs./ Litre)	25.06	17.11
4.	Other / Internal Generation	NIL	Nil
B. CONSUMPTION PER MT OF PRODUCTION			
	Production – Steel bars (MT)	155600	147783
	Electricity (KWH)	138	132
	National Gas (SCM)	34	32
	Production SMS Unit	34333	30433
	Production Billets - Orissa	89068.55	148771.55
	Electricity (KWH)	482.77	596

FORM – B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH AND DEVELOPMENT

The Company is doing in house R & D Activities to improve operational efficiencies and yield of its products.

B. TECHNOLOGY ABSORPTION ADAPTATION & INNOVATION

(1) Efforts, in brief, made towards technology absorption and innovation:

NIL

(2) Benefit derived as a result of the above effort. e.g. product improvement, cost reduction, product development, import substitution etc.

Not applicable in view of reply B (1) above.

(3) Information relating to imported technology

NIL

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

This is to confirm that the Board has laid down a code of conduct for its Board members & senior Management. This Code is available on the company's website. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the code of conduct of the company for the financial year ended March 31, 2010 as envisaged in Clause 49 of the

Listing Agreement with the Stock Exchange.

By order of the Board of Directors
For Rathi Steel And Power Limited

Sd/-
Prem Narayan Varshney
Whole Time Director

Sd/-
Pradeep Rathi
Managing Director

Place: New Delhi
Date: 03/09/2010

**CERTIFICATE BY MANAGING DIRECTOR, CHIEF
FINANCE OFFICER (CFO) AND GENERAL MANAGER
(ACCOUNTS)**

We, Pradeep Rath, Managing Director, Y.K.Agrawal
Chief Finance Officer and Ashok Goel, General Manager
(Accounts) certify that:-

1. We have reviewed financial statements and the cash
flow statement for the year ended 31st March 2010 and
that to the best of our knowledge and belief:-
 - (i) These statement do not contain any materially un-
true statement or omit any material fact or contain
statements that might be misleading;
 - (ii) These statements together present a true and
fair view of the of the Company's affairs and are
in compliance with existing accounting standards,
applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no
transactions entered into by the Company during the
year which are fraudulent, illegal or violative of the
company's code of conduct.
3. We accept responsibility for establishing and maintaining
internal controls, we have evaluated the effectiveness
of internal control systems of the company and we have
disclosed to the auditors and the Audit Committee,

deficiencies in the design or operation of such internal
controls, if any, of which we are aware and the steps we
have taken or propose to take to rectify the indemnified
deficiencies and

4. We have informed the auditors and the Audit Committee
of:-
 - (i) significant changes in internal control over finan-
cial reporting during the year
 - (ii) significant changes in accounting policies during
the year and that the same have disclosed in the
notes to the financial statements and
 - (iii) instances of significant fraud of which we have be-
come aware and the involvement therein, if any, of
the management or and employee having a signifi-
cant role in the company's internal control system
over financial reporting.

Sd/-
Ashok Goel
General Manager
(Accounts)

By order of the Board of Directors
For Rath Steel And Power Limited
Sd/- Sd/-
Y K Agrawal Pradeep Rath
CFO Managing Director

Place: New Delhi
Date: 03/09/2010

TO WHOM IT MAY CONCERN

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

To the members of

Rathi Steel And Power Limited

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31st March, 2010 with the relevant records and documents maintained by the company furnished to us for our review and the report on corporate Governance as approved by the Board of Directors.

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

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

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

FOR M. LAL & COMPANY
CHARTERED ACCOUNTANTS

PLACE: NEW DELHI
DATE: 03rd SEPTEMBER 2010

sd/-
M. L. AGARWAL
M. NO. 11148

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2009-10 (IN ACCORDANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH STOCK EXCHANGE)

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

1. Company's Corporate Governance Philosophy

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

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

2. (A) BOARD OF DIRECTORS

Composition and category of directors (as on 31st March 2010)

The Company has an Executive Chairman and the number of Independent Directors is equal to 50% of the total numbers of Directors. As on 31st March 2010, The Company has 5 Directors on its Board, of which 3 Directors are independent. The number of Non-executive Directors is more then/ equal to 50% of the total number of Directors. The Company is in compliance with the recent amendment/development of Clause 49 of the Listing Agreement pertaining to composition of Board of Directors.

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

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

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

Shri D.D. Lakhotia aged 37 years holds a Master Degree in commerce from Meerut University and has more then 15 years of experience in the field of accounting and Marketing. He has been on the Board of the Company since 1997 and is a Non Executive Independent Director since March 2003.

11th May 2009, 20th May 2009, 29th June 2009, 22nd July 2009, 08th August 2009, 04th September 2009, 05th October 2009, 31st October 2009, 30th January 2010, 31st March 2010. All meetings except last meeting were held at the registered office of the Company.

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

The last Annual General Meeting was held on 30th September 2009. The attendance at Board meeting during the year and at the last Annual General Meeting was as follows:

(c) Details of Board Meeting held during the financial year 2009-10

10 (Ten) Board meetings were held during the financial year 2009-10 and the gap between two Boards meeting did not exceed four month. The date on which the Board meetings were held as follows:

Name of Director's	No. of Board Meeting held during the year	No of Board Meeting attended	Last AGM attendance
Shri P. C. Rathi*	10	02	No
Shri Pradeep Rathi	10	10	Yes
Shri P. N. Varshney	10	09	Yes
Shri S.K.Daga	10	09	No
Shri Ranjit Khattar	10	10	No
Shri D.D. Lakhotia	10	07	No

* Died on 13th January 2010.

3. Audit Committee

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

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

DATE OF MEETING	SHRI S K DAGA	SHRI RANJIT KHATTAR	SHRI D. D. LAKHOTIA
11-05-2009	Yes	Yes	No
08-08-2009	Yes	Yes	Yes
04-09-2009	Yes	Yes	Yes
31-10-2009	Yes	Yes	Yes
30-01-2010	Yes	Yes	Yes

Company Secretary acts as Secretary to the Committee.

4. Remuneration Committee

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

Shri Ranjit Khattar
Shri S K Daga

NIL
NIL

6. Investor's Grievances Committee Shareholder's Committee

The Company's Registrar and Share Transfer agent handle the investor grievances in consultation with secretarial department of the company. The Registrar has adequate skilled staff with potential qualification and advance computer system for speedy redressal of the investor's grievances. The total process of settlement of a complaint right from its receipt to disposal is fully computerized to ensure timely settlement. It normally takes 15 days from the date of receipt of the complaint for disposal of investor grievances. Nevertheless, the company has constituted an Investors Grievance Committee in accordance with the requirement of Clause 49 of the listing agreement for attending the investors complaints pertaining to transfer/transmission of shares, dividend enquiry and any other related matters. Shri S.K.Daga, Director is the Chairman of the committee. Shri Pradeep Rath and Shri Dwarka Das Lakhota are the other members of the committee.

5. Detail of remuneration of Whole Time Directors

(a)	(Amount in Rs.)
Shri P. C. Rath*	13,50,000
Shri Pradeep Rath	18,00,000
Shri P N Varshney	1,88,250

* Upto December 2010

(b)	Period of Contract:
Shri Pradeep Rath	5 Years from 01st August 2009
Shri P N Varshney	5 Years from 01st April 2008

(c) Details of Director's Shareholding as on 31st March 2010.

Name	No. of Share
Shri P. C. Rath	394708
Shri Pradeep Rath	436072
Shri P. N. Varshney	200
Shri D.D. Lakhota	NIL

Total number of meeting held: Four

7. Status of Complaints for the period 01st April 2009 to 31st March 2010

Number of complaints received from investors (Opening balance as on 01.04.2009)	05
Number of Complaint received during the year	33
Number of Complaint resolved during the year	38
Pending at the end of the year	Nil

8. GENERAL BODY MEETING (DETAIL OF AGM/EGM OF SHAREHOLDERS)

Date	AGM/EGM	Place of Meeting	Time
29 th Sep 07	36 th AGM	The Little Theatre Group, Copernicus Marg Next to Kamani Auditorium New Delhi- 110001	10.00 a.m.
05 th Feb 08	EGM	A-3, Ind. Area South of GT Road Ghaziabad -201009	10.00 a.m.
30 th Sep 08	37 th AGM	The Little Theatre Group, Copernicus Marg Next to Kamani Auditorium New Delhi- 110001	10.00 a.m.
30 th Sep 09	38 th AGM	The Little Theatre Group, Copernicus Marg Next to Kamani Auditorium New Delhi- 110001	10.00 a.m.

Detail of Special resolution passed in the above referred meeting as under:

Particular of AGM/EGM	Section and Purpose
AGM held on 29th Sep 07	Section 198, 269, 309, 310 of the Companies Act, 1956 Revision in remuneration of Whole Time Director Section 198, 269, 309, 310 of the Companies Act, 1956 Revision in remuneration of Whole Time Director Section 198, 269, 309, 310 of the Companies Act, 1956 Revision in remuneration of Whole Time Director Section 314 of the Companies Act, 1956 Revision in Salary of Directors relatives Section 314 of the Companies Act, 1956 Revision in Salary of Directors relatives Section 314 of the Companies Act, 1956 Revision in Salary of Directors relatives Section 21 of the Companies Act, 1956 Change of name of the Company Section 293(1)(d) of the Companies Act 1956 Enhancement of borrowing power of the company
EGM held on 05th Feb 08	Section 81(1A) Preferential issue convertible warrants
AGM Held on 30th Sep 08	Revision in Remuneration and Tenure of Whole Time Director Preferential issue of 105 lacs convertible warrants
AGM Held on 30th Sep 09	Revision in Tenure of Managing Director
During the year under review, the company did not pass any resolution by way of Postal Ballot. No Special resolution requiring Postal Ballot is proposed at the ensuing Annual General Meeting.	

9. Disclosures

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

10. Means of Communication

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

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

11. GENERAL SHAREHOLDERS INFORMATION

(a) Annual General Meeting

The next (39th) Annual General Meeting is schedule to be held at the Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO, New Delhi -110002 on 30th September 2010 at 10.00 a.m.

(b) Financial Calendar year for 2010-11 (tentative)

Financial Year ending	31st March 2011
First Quarter Results	on or before 15th August 2010
Second Quarter Results	on or before 15th November 2010
Third Quarter Results	on or before 15th February 2010
Fourth Quarter Results	on or before 15th May 2011

(c) Book Closure Date

Saturday 25/09/2010 to Thursday 30/09/2010 (both days inclusive)

(d) Dividend

The amount of dividend for the financial year 2009-10 if declared will be deposited with the Bank within 5 days of approval by the shareholders in the forthcoming Annual General Meeting and its payment shall be made within 30 days of its declaration.

(e) Listing of Securities

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

The Company has made a request to delist its Shares from Delhi Stock Exchange Limited.

12. Scrip Code -BSE 504903

13. Stock Price data monthly High and Low Price at BSE for the year 2009-10

Month & Year	High/Rs	Low/Rs.	Volume (Shares)	Volume (Trades)
April 2009	13.20	9.51	274341	1216
May 2009	17.75	9.93	687081	2946
June 2009	21.40	13.30	624889	2484
July 2009	15.48	12.00	252642	1197
Aug 2009	16.55	13.50	538517	1716
Sep 2009	19.95	15.00	804416	2484
Oct 2009	19.45	14.50	450752	1952
Nov 2009	17.85	13.60	363248	1629
Dec 2009	24.40	16.20	921838	3094
Jan 2010	24.25	18.15	475942	1774
Feb 2010	21.70	18.50	230543	755
Mar 2010	20.50	17.60	300489	926

14. Distribution of Shareholding as at 31st March 2010

Category (In Value)	No. of Shares	%	No. of Share Holders	% of total shareholders
01-5000	2156534	7.438	13210	80.94
5001- 10000	1475284	5.088	1799	11.02
10001-20000	1151544	3.972	736	4.51
20001-30000	468103	1.615	183	1.12
30001-40000	270555	0.933	75	0.46
40001-50000	361326	1.246	75	0.46
50001-100000	738638	2.548	102	0.63
100001 and above	22371127	77.160	140	0.86

15. Shareholding pattern as on 31st March 2010

Description	No. of Shares	Percentage
Promoters	13538716	46.69
Mutual Fund	751245	2.59
Financial Institution/ Banks	2630862	9.07
Foreign Institutional Invest.	Nil	Nil
Bodies Corporate	3778024	13.03
Individuals	8002647	27.61
NRI	176675	0.61
Clearing Members	114942	0.40
Total	28993111	100.00

16. Share Transfer System:

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

17. Dematerialization of Equity Shares

As at 31st March 2010, 80.15% equity capital was held in Electronic form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Normally request for dematerialization of shares are processed and confirmed within 21 days of receipt to NSDL and CDSL.

18. Plant Locations

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

19. Address for correspondence

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

Mas Services Limited
T-34, Second Floor, Okhla Ind. Area
Phase-II, New Delhi- 110020
Ph: 011-26387281-82-83
Fax: 011-26387284

20. Investors Contact:

Compliance Officer E-mail ID: investors@rathisteelandpower.com)

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

I hereby confirm that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of conduct and Senior Management, as approved by the Board, for the financial year ended March 31, 2010

Place: New Delhi
Date : 03/09/2010

Pradeep Rathi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

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

BUSINESS REVIEW AND OUTLOOK

The global steel industry has been through a roller-coaster ride in the last three years. While 2007 and the first half of 2008 were characterized by positive market fundamentals, the second half of 2008 and the first half of 2009 saw a difficult operating environment. The worldwide economic crisis took a toll on the industry as demand dipped, resulting in a sharp decline in prices from their all-time high in mid 2008.

The year 2009 witnessed turbulence and pain from the unprecedented economic financial crisis affecting the economic growth adversely. Steel being at the core of economic progress witnessed a huge downturn during 2009.

The global recession and the severe financial meltdown in late 2007 completed the process of shifting the fortunes of global steel from the advanced developed markets of USA, EU, Japan, South Korea and Russia to East and South Asia. It is heartening to note that the current growth in global steel consumption and production is driven by only China and India. In 2009, the global crude steel production had dipped by 8.7% compared to previous year and the major steel producing countries such as the USA, Germany, Russia, Brazil Japan and South Korea had witnessed a drop in production as high as 26.36%. China experienced a growth of 13.5%, followed by India's 2.7%.

The 2009 global downturn and the subsequent recovery have accentuated the importance of china and India to the world steel industry. This clearly demonstrates both countries strong domestic consumption story. Even though real estate and housing sector marked decline in activity in 2009, the same was more than compensated by sustained growth in sectors in infrastructure, manufacturing and automobile.

With an impressive track record, the country has become a reputed name in the world Steel industry. Global steel giants from all over the world have shown interest in the industry because of its phenomenal performance. For instance - the crude steel production in India registered a moderate year-on-year growth of 2.7% in 2009 and reached 56.6 Million Metric Tons. On the other side, some Asian countries such as Japan and South Korea saw significant decline in their

production levels. This further signifies the resilience and strength of the Indian steel industry against external risk factors.

The latest projection of steel consumption by the World Steel Association shows that while India with a consumption of 45.6 million tones in 2006 occupied the fifth position among the top 10 countries, it would move up to third position in 2011 with 71.6 million tones of finished steel. According to the Annual Report 2009-10 by the Ministry of Steel, India is likely to become the second largest producer of crude steel by 2015-16.

A number of tie up with Indian counterparts to produce value-added steel to cater to the growing demand in the country. India has good scope for increasing consumption of steel. Current per capita consumption is around 40 kg, compared with 100 kg in Brazil, 250 kg in China and a global average of 198 kg. Steel demand is expected to rise 5-6 percent annually until 2019-20.

Indian steel is poised for a big push as increasing demand from the infrastructure and processing industries coupled with easy and consistent availability of steel suiting to the emerging new segments would take the country to a greater height of economic development and inclusive growth.

Backed by fiscal stimulus-led global economic recovery, steel industry (including steel raw materials) demonstrated signs of demand pick-up and price stabilization during the last quarter of 2009. The current year appears to be promising for the steel industry. The first four months of 2010 has seen a significant increase in steel demand led by strong growth in key end-user segments like automobile, infrastructure and consumer goods.

INTERNAL CONTROL AND ADEQUACY SYSTEM

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

OPPORTUNITIES AND THREATS

Over the years, the Company has encountered several risks and concerns during the process of business. In keeping with the problem solving approach, it has taken several steps to counter and mitigate these, while simultaneously pursuing every underlying opportunity. RSPL's response to opportunities and threats are given herein below:

INDUSTRY CYCLICALITY

The steel industry is subject to cyclical swings arising from factors such as excess capacity, regional demand and supply imbalances and volatile swings in the market.

In view of Government thrust on infra, growth in construction sector, proximity to the market and strong presence of RATHI brand in the market your Company did not see any slackness in demand. Your Company has also completed

a modernization scheme at its Long Products mill at Ghaziabad which will enable us to roll value added grade of steel of heavier coil weight. This will enable the company to enhance the share of value added steel in the total product mix.

As you all are aware that our backward integration plant at Orissa is already operational and we are able to control the quality of billet being manufactured there. This has given us an edge in the rebar's /TMT Bar's market in terms of supply of Bars with specified quality parameters resulting in higher realization.

RAW MATERIALS SECURITY AND PRICE VOLATILITY

The fortune of the Indian Steel industry appears bright. However, the ride may not be so smooth in the near term. One of the key concerns is the sharp increase in raw material prices like iron ore and coal which is likely to dent the profitability of the most of Indian steel players. Also, regular and uninterrupted supplies of iron ore might be at risk considering the current wave of curb on illegal mining activities in key ore-producing areas like Orissa, Karnataka and Jharkhand.

The profitability of the company therefore depends on market price of these raw materials vis-à-vis price of sponge iron / billets. The only way to substantially reduce the cost of Iron Ore and Coal is to have own mines for these raw materials. While the company has been allotted a Coal Block which is under development, allotment of iron Ore Mine is still awaited. The company has complied with all the conditions for allotment of Iron Ore Mine and is eligible for allotment on priority. The coal block which is under development will ensure reduction in manufacturing cost of sponge iron

ENVIRONMENTAL RISKS

Another concern is tough regulatory environment in terms of land acquisition, forest clearance, relief and rehabilitation procedures and most importantly grant of iron ore mining leases. To add to the woes of the steel producers, poor transport infrastructure (railway, road as well as ports) also increase costs, thereby affecting the bottom line. India is now the fifth-largest producer of Steel in the world, behind China, Japan, Russia and the United States. Despite increase in capacity of production, the long term demand for steel looks healthy due to thrust by the government on infrastructure development. The Eleventh Five Year Plan (2007-2012) has allocated investments worth US\$ 490 billion for the core infrastructure sector, comprising power, roads, highways, railways, ports, airports, mining and irrigation. It gives hope even for expansion of integrated steel plants in India..

TECHNOLOGY

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

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

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The overall operational performance of your company has been satisfactory both in terms of production and sales as well as compared to the figures for previous year. Due to fluctuating prices, increase in interest costs and Depreciation cost on account of increased Capex there has been a decrease in the profit when compared to previous year. Though there has been a decrease in sales in Rupee terms when compared to previous year but there has been increase in volume terms. EBITDA for the year has gone up by 5.625% at Rs. 52.64 Crores for the financial year 2009-10 as against Rs. 50.99 crores for the previous year. During the year under review your company completed its project for upgradation and modernization of its rolling mill which will enable us to roll value added grade of steel of heavier coil weight. This will enable the company to enhance the share of value added steel in the total product mix

FUTURE PLANS

Going forward we plan to increase capacity both at Ghaziabad and Orissa. It will be completed in 15-20 months.

As reported earlier also that company has been allotted a coal mine in the State of Chhattisgarh. The development work is going on and the progress is satisfactory. Your company is in the process of obtaining clearance from various Agencies / Ministries.

Your company is actively pursuing its case for allotment of Iron Ore mine also on priority. Once the mines become operational, bottom line of the Company will improve.

In pursuit of its continual growth plans, your company is also looking at various possibilities for growth opportunities in its area of operations.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES INDUSTRIAL RELATIONS FRONT

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

Your company lays due emphasis on sound Human Resource Management practices and appraisal system with focus on cordial employee relations and building a motivated work force, which can participate constructively in the growth of the company. The company continues to focus on the Safety, Health, Training and Development of the employees.

STATUTORY COMPLIANCE

A declaration regarding compliance with the provisions of the various statutes is being made at every meeting of the Board of Directors. The Company Secretary, as Compliance

Officer, ensures compliance with the SEBI regulations and provisions of the Listing Agreement.

INDUSTRIAL RELATIONS

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

CAUTIONARY STATEMENT

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

AUDITORS' REPORT

We have audited the attached Balance Sheet of *M/s Rathl Steel And Power Limited* as at 31st March, 2010 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A. WE REPORT THAT:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representation received from the directors as on 31st March, 2010 and taken on record by the Board of directors we report that none of directors is disqualified as on 31st March, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 and
 - ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

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

1. In respect of fixed assets:
 - a) The company has been maintaining details showing full particulars, including quantitative details of fixed assets.
 - b) We have been informed that physical verification of fixed assets has been conducted by the management at reasonable intervals and no material discrepancies have been noticed by them.
 - c) No part of the fixed assets has been disposed off during the year.
2. In respect of Inventories
 - a) According to the information and explanations given to us, the physical verification has been conducted at reasonable intervals by the management of the stock of stores. The physical verification of finished goods and raw material has been done on sample basis, from time to time, due to the nature of the business and the cost involved and no discrepancies have been found.
 - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, no material discrepancies have been noticed on physical verification as compared to books and accounts and minor discrepancies found, if any, have been properly dealt with in the books of accounts.
3. According to information and explanation given to us:
 - a) The company has not taken or granted loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same management as defined under sub-section (1b) of Section 370 of the Companies Act, 1956.
 - b) No interest has been paid on such loans and prima facie these are not prejudicial to the interest of the company.
 - c) Loans and advances in the nature of loans to staff, given by the company, stipulate the consideration regarding the terms of repayment and the same are being recovered accordingly.
 - d) No time period has been stipulated on the loans taken by the company.
4. In our opinion and according to information and explanation given to us, there are internal control procedures commensurate with the size of the company and the nature of its business.
5. According to the information and explanations given

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

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

sd/-
M .L. Agarwal
M.No.11148

Place: New Delhi
Date: 03rd September 2010

RATHI STEEL AND POWER LTD.
BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	SCHEDULE	AS AT 31.03.2010 AMOUNT (Rs)	AS AT 31.03.2009 AMOUNT (Rs)
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	A	301,558,110	258,481,110
Reserves & Surplus	B	1,307,773,668	1,218,767,070
		1,609,329,778	1,477,238,180
Loan Funds:			
Secured Loans	C	3,182,227,967	3,072,415,978
Unsecured Loans	D	110,822,897	106,057,485
		3,293,050,864	3,178,473,463
Deferred Tax Liability		74,729,112	67,076,572
TOTAL		4,977,109,754	4,722,788,215
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	E	3,876,252,411	3,552,355,919
Less: Depreciation		574,120,831	393,338,374
Net Block		3,302,131,580	3,159,017,545
Capital Work in Progress		29,066,930	97,593,385
Investments	F	9,470,997	9,470,997
Current Assets, Loans and Advances:			
Inventories	G	1,167,520,657	1,169,223,743
Sundry Debtors	H	560,192,174	425,015,839
Cash and Bank Balances	I	113,658,556	121,048,848
Loans & Advances	J	557,424,323	476,401,503
		2,398,795,710	2,191,689,933
Less: Current Liabilities and Provisions	K	762,355,463	734,983,645
Net Current Assets		1,636,440,247	1,456,706,288
TOTAL		4,977,109,754	4,722,788,215

Significant Accounting Policies and Notes on Accounts

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

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

sd/-
P N Varshney
Director

sd/-
Pradeep Rathi
Managing Director

sd/-
NK Garg
Company Secretary

sd/-
Y K Agrawal
C.F.O.

sd/-
M. L. AGRAWAL
M. No. 11148

sd/-
ASHOK GOEL
General Manager

PLACE : NEW DELHI
DATED : 03rd September 2010

RATHI STEEL AND POWER LTD.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	SCHEDULE	YEAR ENDING	YEAR ENDING
		31.03.2010	31.03.2009
		AMOUNT (Rs)	AMOUNT (Rs)
INCOME:			
Income From Operations		7,789,851,564	7,962,497,385
Miscellaneous Income	L	12,731,516	10,062,524
Increase(+)/decrease(-) in Stock		16,038,165	(40,603,656)
	TOTAL:	7,818,621,245	7,931,956,253
EXPENDITURE:			
Manufacturing Expenses	M	7,144,038,032	7,170,239,620
Administrative Expenses	N	83,807,135	108,199,066
Selling Expenses	O	41,461,957	118,049,711
Interest & Finance Charges	P	305,727,785	302,184,022
Depreciation		181,548,521	158,667,709
	TOTAL:	7,756,583,430	7,857,340,128
PROFIT BEFORE TAX		62,037,815	74,616,125
Less : Provision for Tax :			
- Current Tax		10,600,000	8,454,000
- Fringe Benefit Tax		-	1,376,695
- Tax for earlier years		-	(23,452)
- Deferred Tax		7,652,540	(46,520,637)
PROFIT AFTER TAX		43,785,275	111,329,519
Profit brought forward from previous year		275,854,307	193,056,570
Profit Available For Appropriation		319,639,582	304,386,089
APPROPRIATIONS :			
Proposed Dividend		9,392,433	7,292,433
Tax on Proposed Dividend		1,596,244	1,239,349
Transfer to General Reserve		20,000,000	20,000,000
Balance carried to Balance Sheet		288,650,905	275,854,307
		319,639,582	304,386,089
Basic and diluted Earnings per Equity Share		1.80	4.58

Significant accounting policies and notes Q

on accounts

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

As per our Report of even date

For M. LAL & CO.

Chartered Accountants

sd/-

M. L. AGRAWAL

M. No. 11148

sd/-

P N Varshney

Director

sd/-

Pradeep Rathi

Managing Director

sd/-

NK Garg

Company Secretary

sd/-

Y K Agrawal

C.F.O.

sd/-

ASHOK GOEL

General Manager

PLACE : NEW DELHI

DATED : 03rd September 2010

RATHI STEEL AND POWER LTD.

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	SCHEDULE	AS AT 31.03.2010 AMOUNT (Rs)	AS AT 31.03.2009 AMOUNT (Rs)
SCHEDULE - A : SHARE CAPITAL			
AUTHORISED:			
50000000 (50000000) Equity Shares of Rs.10/- each,		500,000,000	500,000,000
ISSUED, SUBSCRIBED & PAID-UP :			
28993111 (Pr.Yr.24308111) Equity Shares of Rs.10/-each fully paid		289,931,110	243,081,110
Convertible Warrant Application Money		11,625,000	15,400,000
TOTAL		301,556,110	258,481,110
(During the year 4685000 Convertible warrants issued to promoters/non promoters have been converted into equity share of Rs.10/- each at a premium of Rs.12/-each)			
SCHEDULE - B : RESERVES & SURPLUS			
Share Premium		864,641,479	808,421,479
Share Forfeiture		521,438	521,438
Revaluation Reserve		19,025,530	19,025,530
General Reserve:			
As per last Balance Sheet	114,934,316	94,934,316	
Add : Transferred from Profit & Loss Account	20,000,000	20,000,000	
Balance in Profit & Loss Account		288,650,905	275,854,307
TOTAL		1,307,773,668	1,218,757,070
SCHEDULE - C : SECURED LOANS			
A. TERM LOANS			
From Banks		1,631,437,245	1,652,601,307
Interest Accrued and Due		11,724,658	18,334,171
B: WORKING CAPITAL FACILITIES			
From Banks		1,047,491,317	902,446,192
C: CORPORATE LOAN			
From Bank		470,000,000	470,000,000
Interest Accrued and Due		5,133,542	2,333,425
D: VEHICLE/EQUIPMENT LOANS			
From Banks		3,764,810	5,356,358
From Others		12,676,395	21,344,525
TOTAL		3,182,227,967	3,072,415,978
Notes :			
1 Term Loans from Banks are secured by :			
a First Pari- Passu charge on Fixed Assets of the company			
b Second Pari-Passu charge on Current Assets of the company,			
c Personal guarantee of Promoter Directors and their relatives			
2 Working capital facilities from Banks are secured by :			
a First Pari- Passu charge on Current Assets of the company,			
b Second Pari-Passu charge on Fixed Assets of the company,			
c Personal guarantee of Promoter Directors and their relatives			
3 Corporate loan is secured by first Pari-Passu charge on the Fixed Assets and second pari passu charge on current assets of the company(both present and future) and personal guarantee of Promoter/ Directors.			
4 Vehicle/Equipment Loans are secured by the hypothecation of specific assets.			
SCHEDULE - D : UNSECURED LOANS			
Interest Free Sales Tax Loan		6,965,412	
Unsecured Loans		102,700,000	104,900,000
Security Deposit from Dealers		1,157,485	1,157,485
TOTAL		110,822,897	106,057,485

RATHI STEEL AND POWER LTD.

SCHEDULE - E

PARTICULARS	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K		
	As at 01.04.2009 (Rs.)	Addition during the year (Rs.)	Sales/ Adjustment (Rs.)	As at 31.03.2010 (Rs.)	Upto 31.03.2009 (Rs.)	Adjustment For the Year (Rs.)	Total Upto 31.03.2010 (Rs.)	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
FIXED ASSETS									
Land Leasehold	49,404,511	120,751	-	49,525,262	-	-	-	49,525,262	49,404,511
Boundary Wall	173,896	-	-	173,896	138,468	-	138,468	35,428	35,428
Building	537,935,034	34,391,137	-	572,326,171	22,169,733	-	41,163,036	531,163,135	515,765,301
Plant & Machinery	2,925,045,915	287,704,074	-	3,212,749,989	353,784,340	-	512,274,746	2,700,475,243	2,571,261,575
Furniture Fixtures	7,706,408	355,160	-	8,061,568	3,065,869	-	3,558,727	4,502,841	4,640,539
Office Equipment	3,433,713	407,527	-	3,841,240	596,254	-	772,553	3,068,687	2,837,459
Vehicles	22,761,036	2,041,503	1,744,508	23,058,031	10,625,828	766,064	12,256,137	10,801,894	12,135,208
Computers	5,895,406	620,848	-	6,516,254	2,957,882	-	3,957,164	2,559,090	2,937,524
TOTAL	3,552,355,919	325,641,000	1,744,508	3,876,252,411	393,338,374	766,064	574,120,831	3,302,131,580	3,159,017,545
Previous Year	3,018,540,255	536,951,622	3,135,958	3,552,355,919	236,139,051	1,468,386	393,338,374	3,159,017,545	

RATHI STEEL AND POWER LTD.

PARTICULARS	AS AT 31.03.2010 AMOUNT (Rs)	AS AT 31.03.2009 AMOUNT (Rs)
<u>SCHEDULE - F : INVESTMENTS (LONG TERM):</u>		
<u>QUOTED (AT COST)</u>		
Bank of Baroda 53,127(53,127) Equity Share of Rs.10 each	9,319,210	9,319,210
State Bank of Bikaner & Jaipur 185(185) Equity Shares of Rs.100/- each	99,900	99,900
Focus Industrial Resources Ltd. 4000(4000) Equity Shares of Rs. 10/- each (Market Value not ascertainable as share is not being traded for a long period)	20,086	20,086
<u>UNQUOTED (AT COST)</u>		
M/s Moradabad Syntex Ltd. 20000 Equity Shares of Rs.10/- each (Under liquidation)	1	1
M/s Lynx Traders & Export Ltd. 3350 Equity Shares of Rs.10/- each	33,500	33,500
M/s First Financial Services Ltd. 1000 Equity Shares of Rs.10/- each	10,000	10,000
Less:Prov. for diminution in value of investments	9,482,697 11,700	9,482,697 11,700
TOTAL	9,470,997	9,470,997

(Aggregate market value of quoted investments as on 31st March, 2010 is Rs.16007385/- (Previous Year 12497225/-))

SCHEDULE - G : INVENTORIES: (As Taken Valued and Certified by the Management)

Raw Material (including goods in transit Rs.11,13,91,190/-Previous Year Rs.17,66,21,597/-) - At cost	656,293,476	676,844,085
Stores & Spare Parts - At cost	45,300,738	42,835,695
Oil & Fuel - At cost	2,372,506	2,028,191
Finished Goods - At lower of cost or market value	433,553,937	404,671,016
Work in Process	13,500,000	13,500,000
Semi Finished Goods	16,500,000	29,344,756
TOTAL	1,167,520,657	1,169,223,743

SCHEDULE - H : SUNDRY DEBTORS: (Unsecured)

Outstanding for a period exceeding Six Months -Considered Good	33,226,850	49,805,671
-Considered Doubtful	299,472	299,472
Less: Provision	299,472	299,472
Others	526,965,324	375,210,168
TOTAL	560,192,174	425,015,839

RATHI STEEL AND POWER LTD.

PARTICULARS	AS AT 31.03.2010 AMOUNT (Rs)	AS AT 31.03.2009 AMOUNT (Rs)
<u>SCHEDULE - I : CASH AND BANK BALANCE:</u>		
Cash in Hand	8,025,326	6,640,741
Balance with Scheduled Banks:		
In Current Accounts	46,177,184	73,689,726
In Fixed Deposit	4,665,884	3,804,772
In Fixed Deposit (as margin money for BG/LC)	53,176,840	33,191,800
Interest Accrued but not due on FDRs	1,613,322	3,721,809
TOTAL	113,658,556	121,048,848
<u>SCHEDULE - J : LOANS & ADVANCES:</u>		
(Unsecured-Considered Good unless otherwise stated)		
Advances Recoverable in Cash or Kind or Value to be received	440,222,790	311,740,886
Advance to others-Considered Doubtful	337,500	337,500
Less: Provision for Doubtful	(337,500)	(337,500)
Security Deposits	37,774,922	37,561,522
Earnest Money Deposit:		
-Considered Good	1,550,000	1,675,240
-Considered Doubtful	150,000	150,000
Less: Provision for Doubtful	(150,000)	(150,000)
Duties & Taxes Recoverable	75,743,232	123,122,903
Advance Income Tax (Net)	2,133,379	2,300,952
TOTAL	557,424,323	476,401,503
<u>SCHEDULE - K : CURRENT LIABILITIES & PROVISIONS:</u>		
<u>CURRENT LIABILITIES:</u>		
Trade Creditors & Other Liabilities	746,645,932	718,132,159
Contractors/Suppliers Retention	4,720,854	8,319,704
<u>PROVISIONS:</u>		
Dividend (including CDT)	10,988,677	8,531,782
TOTAL	762,355,463	734,983,645

RATHI STEEL AND POWER LTD.

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNTS

PARTICULARS	YEAR ENDING 31.03.2010 AMOUNT (Rs)	YEAR ENDING 31.03.2009 AMOUNT (Rs)
<u>SCHEDULE - L : MISCELLANEOUS INCOME:</u>		
Dividend Received (Long Term)	478,143	443,516
Insurance Claim Received	5,152,959	4,974,307
Commission Received	191,068	423,803
Notice Period Salary	24,333	72,385
Interest Earned (Gross)	6,685,267	3,339,495
Exchange Fluctuations	-	568,764
Excess Provision/Misc balances Written Back	199,746	240,254
TOTAL	12,731,516	10,062,524
<u>SCHEDULE - M : MANUFACTURING EXPENSES:</u>		
Raw Material Consumed	6,070,207,668	6,282,571,643
Purchases	67,679,166	37,257,315
Power & Electricity Charges	231,292,889	208,469,085
Oil & Fuel Consumed	204,230,548	208,623,556
Stores Consumed	199,565,372	135,436,916
Wages	45,471,245	12,147,112
Contractors' Wages	41,329,399	11,370,061
Employer's Contribution to PF	1,522,212	679,016
Excise Duty	231,862,088	243,526,542
Royalty	454,260	461,330
Repair to Plant & Machinery	15,069,913	16,122,278
Consultation Charges	84,367	214,762
Rolling charges paid	32,175,731	10,037,685
Tools & Equipment Exp	318,408	720,594
Water Charges & Tax	2,294,700	1,504,840
Laboratory Expenses	480,068	1,096,885
TOTAL	7,144,038,032	7,170,239,620
<u>SCHEDULE - N : ADMINISTRATIVE EXPENSES:</u>		
Salary & Allowances	28,311,426	54,165,313
Employer's Contribution to PF	856,631	2,893,229
Directors' Remuneration	3,338,250	3,786,000
Directors' Travelling	266,425	575,100
Staff Travelling	4,616,760	5,265,288
Rates and Taxes	1,311,374	1,320,243
Auditors' Remuneration	400,000	400,000
Lease Rent	2,503,449	2,305,800
Legal & Professional Charges	2,502,246	3,738,975
Vehicle Maintenance	183,918	511,320
Printing & Stationery	997,334	1,487,154
Postage, Telegram & Telephone Expenses	3,000,397	3,862,874
Repair & Maintenance - Other	4,387,607	2,946,155
Repair & Maintenance - Building	526,356	163,080
Miscellaneous Expenses	6,740,870	4,546,551
Insurance Charges	7,154,982	3,559,603
Wealth Tax	60,000	75,110
Donation	418,762	541,904
Loss on Sale of Assets	688,444	850,072
Security Charges	7,483,191	4,810,170
Guest House Expenses	617,091	697,708
Medical Expenses A/c	123,795	885,377
Transportation Charges	5,687,335	7,241,282
Staff Welfare A/c	1,337,702	1,570,757
Peripheral Development Expenses	292,790	-
TOTAL	83,807,135	108,199,066

RATHI STEEL AND POWER LTD.

PARTICULARS	YEAR ENDING 31.03.2010 AMOUNT (Rs)	YEAR ENDING 31.03.2009 AMOUNT (Rs)
<u>SCHEDULE - Q : SELLING EXPENSES:</u>		
Advertisement and Sales Promotion	163,172	2,446,662
Consignment Commission & Expenses	12,829,219	14,947,816
Freight	28,290,094	100,353,179
Testing Charges	179,472	302,054
TOTAL	<u>41,461,957</u>	<u>118,049,711</u>
<u>SCHEDULE - P : INTEREST AND FINANCE CHARGES:</u>		
Interest on Term Loan & Others:		
i. On Term Loan	161,654,293	187,887,870
ii. On Working Capital & Car Loan	104,928,444	87,596,057
iii. Interest to Others	<u>16,241,355</u>	<u>1,201,592</u>
Bank & Finance Charges	20,156,993	276,685,519
Exchange Fluctuation	2,746,700	25,498,503
TOTAL	<u>305,727,785</u>	<u>302,184,022</u>

RATHI STEEL AND POWER LTD.

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

1. Registration Details:				
Registration Number	5905			
State Code	55			
Balance Sheet	DD	MM	YYYY	
	31	03	2010	
2. Capital raised during the year:	Public	Rights	Bonus	Private
(Amount in Rs. Thousands)	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>	<u>Placement</u>
	Nil	Nil	Nil	103070
3. Position of mobilisation and development of funds:	<u>Total Liabilities</u>		<u>Total Assets</u>	
(Amount in Rs. Thousands)	4,977,110		4,977,110	
<u>Source of Funds:</u>	Paid-up Capital		Reserves & Surplus	
	301,556		1,307,774	
	Secured Loans		Unsecured Loans	
	3,182,228		110,823	
	Deferred Tax			
	74,729			
<u>Application of Funds:</u>	Net Fixed Assets		Investments	
	3,331,199		9,471	
	Net Current Assets		Misc. Expenditure	
	1,636,440		NIL	
	Accumulated Losses			
	NIL			
4. Performance of Company:	Turnover		Total Expenditure	
(Amount in Rs. Thousands)	7,789,852		7,740,545	
	Profit before Tax		Profit after Income Tax and Deferred Tax	
	62,038		43,785	
	Earning per share in Rs.		Dividend Rate %	
	1.80		3	
5. Generic names of three principal products of Company:				
1. Item Code				
Product Description	N.A.			
2. Item Code	NIL			
Product Description	NIL			
3. Item Code	NIL			
Product Description	NIL			

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

sd/-
P N Varshney
Director

sd/-
Pradeep Rathi
Managing Director

sd/-
M.L. AGRAWAL
M.No. 11148

Place: New Delhi
DATED : 3rd September 2010

RATHI STEEL AND POWER LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lacs)

PARTICULARS	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	620.38	746.16
Adjustments for :		
Depreciation	1815.49	1586.68
Loss on Sale of Assets	6.88	8.50
Interest Paid	2828.24	2766.86
Insurance Claim Received	(51.53)	(49.74)
Misc. Balance written back	(2.00)	(2.40)
Dividend income	(4.78)	(4.44)
Interest income	(66.85)	(33.39)
Operating profit before working capital changes:	5145.83	5018.23
Adjustments for:		
Increase in Trade receivables	(1351.76)	(340.78)
Decrease in inventories	17.03	(2774.50)
Increase in Loans & Advances	(810.23)	(777.07)
Increase in trade payables & other Current liabilities	237.62	2070.84
Cash Generated from Operation	3238.49	3196.71
Less: Income Tax paid (net)	106.00	98.07
Net cash from operating activities:	3132.49	3098.64
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(3256.41)	(5369.52)
Change in Capital Work in Progress	685.26	(560.59)
Dividend income	4.78	4.44
Sales of Assets	2.90	8.18
Change in advance against Capital Goods	-	-
Insurance claim	51.53	49.74
Interest income	66.85	33.39
Net cash used in investing activities :	(2445.09)	(5834.36)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital(Including Premium)	992.95	154.00
Receipt of Long Term Borrowings	855.52	5666.91
Payment of Long Term Borrowing	(1169.75)	(3242.09)
Increase/(Decrease) in Short Term Borrowing	1450.45	4337.63
Increase/(Decrease) in Unsecured loans	47.65	(720.00)
Dividend tax	(15.96)	(12.39)
Dividend paid	(93.92)	(72.92)
Interest Paid	(2828.24)	(2766.86)
	(761.30)	3344.28
Net increase/(Decrease) in cash and cash equivalents	(73.90)	608.56
Opening cash and cash equivalents	1,210.49	601.93
Closing cash and cash equivalents	1136.59	1210.49

As per our Report of even date attached

For M. LAL & CO.

Chartered Accountants

sd/- P.N.Varshney
Director

sd/- Pradeep Rathi
Managing Director

sd/- NK Garg
Company Secretary

sd/- ASHOK GOEL
General Manager

sd/- Y K Agrawal
C.F.O.

sd/-
M. L. AGRAWAL
M. No. 11148

PLACE : NEW DELHI
DATED : 3rd September 2010

SCHEDULE - Q

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the Company are as stated below:

- a) Basis of Preparation of Financial Statements:
The financial statements are prepared under historical cost convention except for revaluation of fixed assets which are revalued in accordance with the generally accepted principles in India and the provisions of the Companies Act, 1956. Company follows the mercantile system of accounting, recognizing income and expenditure on accrual basis.
- b) Use of Estimates
The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.
- c) Fixed assets and depreciation accounting:
 - i) All Fixed assets are accounted for at cost of acquisition, inclusive of freight, duties, taxes, erection, installation and other incidentals related to acquisition and exclusive of CENVAT recoverable on purchase of capital goods. Pre-operation expenses including trial run expenses (net of revenue) are capitalized.
 - ii) Depreciation on fixed assets is provided on straight line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation on additions/deductions has been calculated on day-to-day basis
 - iii) Leasehold land has been revalued as on 31st March, 1992.
- d) Investments are stated at cost. Permanent diminution in the carrying cost, if any, is provided for.
- e) Impairment, if any, is recognized where the carrying amount exceeds the recoverable amount being the higher of net realizable price and value in use.
- f) Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- g) Deferred Tax: In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, the deferred tax liability for timing differences between book profits and tax profits is accounted for using the tax rates and tax laws that have been enacted or substantially enacted as of Balance Sheet date.

Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is virtual certainty that the assets can be realized in future.

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

II. NOTES ON ACCOUNTS:

1. CONTINGENT LIABILITIES:

- i. No provision has been made for:
 - a. Outstanding Bank Guarantees and Counter Guarantees given by the Company Rs.6,97,55,112/- (Rs.334,92,787/-).
 - b. Outstanding Letter of Credit Rs.6,98,56,609/- (Rs.18,82,23,308/-).
 - c. Estimated amount of contracts remaining to be executed on capital account - Rs.564.00 lakh (net of advance) (Rs.270.60 lakh).
- ii. Income Tax and Sales Tax Assessments:
 - a) Income tax assessments have been completed upto assessment year 2008-09. Additional liability, if any, in respect of pending assessments, would be provided for on completion of assessments.
 - b) Additional demand, if any, in respect of pending assessment of Sales Tax would be known only on completion of the assessment.

2. Stores consumed include stores issued for repair and maintenance.
3. Name of the Company has been changed from Rath Udyog Limited to Rath Steel And Power Limited w.e.f. 20.03.2008.

4. FOREIGN CURRENCY TRANSACTIONS:

Expenditure in Foreign Currency:

- a. **Raw material purchase** (CIF) Rs.10,74,38,043
(Rs.13,58,15,262).
- b. **Store Purchase** (CIF) - Rs.7,95,474
(Rs.36,20,097).
- c. **Capital Goods** (CIF) - Rs.2,19,992
(Rs.46,58,272).

Earning in Foreign Currency(FOB):

Finished goods sale Rs. Nil (Rs.9,88,32,052).

5. Payment to auditors:

- a. Audit Fee - Rs.4,00,000 (Rs.4,00,000).
- b. Fee for Limited Review - Rs.20,000 (Rs.20,000).

9. Earning Per Share (EPS):

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

Particulars	Year Ended on 31 st March, 2010	Year Ended on 31 st March, 2009
Profit attributable to the Equity Shareholders (Rs.) (A)	43,785,275	111329519
Profit(Cash) attributable to the Equity Shareholders (Rs.) (B)	22,53,33,796	223476591
Weighted average number of Equity Shares Outstanding during the year (C)	24320947	24308111
Nominal Value of Share (Rs.)	10	10
Earning Per Share (Rs.) (A)/(C)	1.80	4.58
Earning Per Share (Cash) (Rs.) (B)/(C)	9.27	9.19

10. Related Party Disclosure:

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

a) Individuals

- Shri Saurabh Rath
- Shri Udit Rath

3. Shri Shrivardhan Rath

b) Key Managerial Personnel

Shri Pradeep Rath
Shri P N Varshney

c) Associates

Rathi Iron and Steel Industries Ltd.

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

Particulars	Associates (Rs.)	Key Managerial Personnel (Rs)	Individuals (Rs)
Purchase of goods	19134632	-	-
Sale of goods	1335435	-	-
Paid for rendering of services	-	3338250	2718000

11. Segmental Reporting:

The business activity of the company falls within one broad

segment viz Steel. Hence the disclosure requirement of Accounting Standard-17 of "Segment Reporting" issued by the Institute of Chartered Accounts of India is not given.

12. Quantitative details and other particulars are given below:

		Current Year		Previous Year	
		Qty.(MT)	Value (Rs.)	Qty.(MT)	Value (Rs.)
A.	Installed Capacity				
	- Steel Bars/TMT/Flat/Wire Rod	125000	---	125000	---
	- Steel Ingot/Billet	190000	---	190000	---
	- Sponge Iron	150000	---	150000	---
B.	Production:				
	1. Steel Bars (Tor /TMT)	141589	---	135703	---
	2. SS Flat/Wire Rod	11098	---	9428	---
	3. MS Billet	96805	---	88383	---
	4. SS Billet	26354	---	15219	---
	5. SS Flat rolled from others	14192	---	5645	---
	6. Sponge Iron (incl. purchases)	93021	---	83053	---
C.	Opening Stock of Finished Goods:				
	1. Steel Bars/TMT	5559	162630988	3939	130954239
	2. SS Flat/Wire Rod	907	40265053	913	57392544
	3. SS Billet(incl. material lying with other parties)	916	38751523	2014	104059934
	4. Billet	2323	55329041	1529	46447223
	5. Sponge Iron	7370	107694411	8242	120263181
D.	Closing Stock of Finished Goods:				
	1. Steel Bars/TMT	5808	171182274	5559	162630988
	2. SS Flat/Wire Rod	1017	47561914	907	40265053
	3. SS Billet (incl. material lying with other parties)	179	23356693	916	38751523
	4. Billets	3701	110224127	2323	55329041
	5. Sponge Iron	3981	81228929	7370	107694411
E.	Raw material consumed:				
	1. MS/SS Billet	161792	3611324826	153641	3925229480
	2. MS/SS Scrap	28544	466587662	28410	564092135
	3. Other raw materials	11219	616108885	6794	460357284
	4. Iron Ore (includes sale)	157656	603163344	148571	507017142
	5. Coal	218178	401204968	195305	368301850
	6. Others	--	371817983	--	457573752

F.	Purchases: Bars, Structurals, Plates etc	2223	67679166	1217	37257315
G.	1. SS Billets sent to job worker for production & consumed of SS Flat	14697		5845	---
	2. Steel bars transferred for re-Processing.	856		949	
	3. SS Wire Rod transferred for re-Processing.	326		188	
	4. SS Billet transferred for re-processing	29		26	
	5. Sponge Iron issued as captive consumption for production of MS Billets	96410		79666	
H.	Turnover:				
	1. Steel Bars/TMT, Structural, Plates	142707	4293911657	134351	4877858665
	2. SS Flat/Wire Rods & SS Billet etc.	24854	1260380523	14891	800053233
	3. Sponge Iron	---	---	4259	75969039
	4. MS Billets	88297	2083557790	72568	2110724425
	5. Rolling Charges, Commission & Others. (including sale of power)		152001594		97892023

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

As per our Report of even date

For M. LAL & Co.

Chartered Accountants

sd/-
N K Garg
Company Secretary

sd/-
Prem N Varshney
Director

sd/-
Pradeep Rathi
Managing Director

sd/-
Y K Agrawal
C.F.O.

sd/-
M.L. Agrawal
M. No. 11148

sd/-
Ashok Goel
General Manager

Place : New Delhi

Dated: 03rd September 2010