

43rd ANNUAL GENERAL MEETING
28th September 2012

CHAIRMAN'S SPEECH

Dear Shareholders,

Good Morning. On behalf of the Board of Directors, I extend a warm welcome to all of you to this 43rd Annual General Meeting of your Company.

I thank you for having spared your valuable time and made it convenient to attend.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31st March, 2012 has been with you for some time and, with your permission, I shall consider them as read.

Before I dwell upon the performance of the company it is pertinent to present the environment in which your Company operated during the last fiscal.

ECONOMIC SCENARIO

During the fiscal year 2011-12, the Indian Economy registered a GDP growth of just 6.5% - the lowest in nine years. This sharp fall in growth-

rate is essentially the result of supply bottle-necks and sectoral problems and reduced to 5.5% in Q1 of 2012-13.

Economic activity in India picked up modestly in the first quarter of 2012-13 in relation to the preceding quarter; but the sluggish momentum of value added in the first quarter was evident across all sectors of the economy, and particularly in industry. Lead indicators point to slack activity in the second quarter as well. Industrial production rose by just 0.1 per cent in July. In August, the manufacturing sector fell to its lowest level during 2012 so far, as a result of output disruptions due to power shortages and declining export orders.

Global activity has been weakening in the second quarter of 2012-13. Merchandise trade slowed considerably in major economies. Persistent sovereign debt pressures amidst weakening economic activity in the euro area pose significant downside risks to the global economy. Growth in several major emerging and developing economies is also moderating, with China's growth slowing to its lowest rate in the past three years during 1st quarter of 2012-13. Slowing global demand has adversely affected industrial activity and exports in these economies.

INDUSTRY SCENARIO

World crude steel production in the first six months of 2012 was 765.8 mmt as against 757.8 mmt in 2011.

The Indian steel industry is experiencing a slowdown and the prospects of growth in domestic demand for steel in the short-term is not expected to exceed 6.5%. Further, the uncertain global economic environment

continues to pose serious challenges to the sustained growth of Indian economy.

Nevertheless, there exists enormous potential in the economy for higher growth of domestic steel demand in medium and long term. In terms of actual steel usage India lags behind other major steel producing countries. In 2010 our per capita consumption of steel was only 51.7 Kgs as against the world average of 202.7 kgs. A massive investment to the tune of \$ 1 trillion dollars has been envisaged during the Twelfth five year plan in the infrastructure sector. Besides there is a greater emphasis on the growth of the Manufacturing Sector in the country. This augurs well for expansion of the base of steel consumption in the economy. A rough estimate of incremental demand for steel in the country works out approximately to 40 million tonnes in infrastructure alone. Hence, it is likely to raise intensity of steel consumption in the country.

FINANCIAL PERFORMANCE

I would like to briefly mention about the key aspects of your Company's performance during the financial year 2011-12.

The fiscal 2011-12 has been one of the toughest on your Company. The performance has been affected badly due to lower off-take of Rolls by Indian steel manufacturers who cut inventory in the wake of slowdown in steel sector growth, and also delayed in lifting of stock. The export markets also remained very weak. Your Company also faced a tight liquidity position due to increase in finance costs. The increase in the cost of raw materials, power and fuel and other consumables had a major impact on the profitability of the company.

- Operating Profit before interest and depreciation decreased from Rs 1914.18 Lacs in 2010-11 to Rs. 240.23 Lacs in 2011-12
- Net Loss after providing for interest, depreciation and tax amounted to Rs. 1806.14 Lacs as against Rs. 90.49 Lacs during the previous year.
- Production decreased by 17 % from 11,170 MT in 2010-11 to 9260 MT in 2011-12.
- Sales decreased by 19 % from 11,081 MT in 2010-11 to 8907 MT in 2011-12.

Your Company has undertaken measures to improve the financial position of the company by way of restructuring of bank loans and has already applied to Corporate Debt Restructuring (CDR) cell. The application has been admitted by the CDR Cell.

CURRENT YEAR PERFORMANCE

- Production and Despatch during the first 5 months of the current financial year was 3700 MT and 3880 MT respectively.
- Exports during the first 5 months of the current financial year is 1283 MT.
- Operating Profit before interest and depreciation for the quarter ended 30th June 2012 was Rs. 53.85 Lacs as against Rs 132.48 Lacs in the quarter ended 30th June, 2011.
- The net revenue from operations increased by 11% in the first quarter of 2012-13 over the immediately preceding quarter ended 31st March, 2012.

LOOKING AHEAD

Worldsteel forecasts that apparent steel consumption worldwide will grow by 3.6% to 1,422 mt in 2012 and should grow by 4.5% in 2013. Chinese steel demand growth is expected to be moderate as the government pursues economic restructuring.

The outlook for steel demand is cautious due to the markets continued financial uncertainty and volatility. The emerging economies are expected to perform much better than developed countries.

The apparent steel consumption in India is expected to grow by 6.9 per cent in 2012 and by 9.4 per cent in 2013. The Government's support to infrastructure development in both rural and urban areas is expected to create a significant demand for steel. A Rs 16,828 Crores Capital Outlay for PSUs in 2012-13 budget is expected to boost steel capacity. The 12th Five -Year Plan envisages that steel capacity in India would grow to 149 million tonnes per annum by 2016-17, propelling India to the 2nd position in the world. Your Company is strategically well poised to take advantage of this growth.

HUMAN RESOURCE

I must emphasise that the greatest strength of your Company has been its people and their spirit in overcoming challenges. With a view to enhance the operational efficiency of the employees at all levels, various management initiative programmes have been integrated with the Human Resource Development policies of the Company.

These initiatives inculcate a sense of dedication towards the Company and thereby create value for stakeholders. Every aspect of the Company's activities is analysed by competence, motivation and general effectiveness of its human resources.

CORPORATE GOVERNANCE

Your Company has been complying with the requirements of Corporate Governance as stipulated in the Listing Agreements. The philosophy of the Company is to ensure transparency in its dealings and compliance of country's laws and regulations in order to promote ethical conduct of business.

AWARDS AND ACCREDITATIONS

During the year under review, your company continued to keep its focus on quality initiatives and participated in the Quality Circle Competitions and was honoured with GOLD and SILVER award at CCQC- 2011. Your Company also won the PAR EXCELLENCE and EXCELLENCE awards at the NCQC-2011 held in Hyderabad.

Your Company continues to have the following accreditations for its activities related to its operations

- ISO 9001:2008 – conforming to the Quality Management System.
- ISO 14001:2004 – conforming to the Environmental Management System.

- OHSAS 18001:2007 – conforming to the Occupational Health and Safety Management System.

ACKNOWLEDGEMENT

The road ahead is full of challenges but the company armed with the passion and the indomitable spirit of its employees is determined to overcome the same, successfully as it has done in the past.

I feel privileged to thank every stakeholder of the Company - investors, customers, financial institutions, banks, suppliers, the Government and our employees for having given their vital support to the Company. We are grateful to each one of them for being with us and sharing in the making of the Company's future. I also thank my colleagues on the Board for their wise counsel and guidance. And, of course, I remain grateful to you, our faithful shareholders, for your continuing confidence in our Company.

Thank you