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SHREE PRECOATED STEELS LIMITED

AJMERA

FIFTEENTH ANNUAL REPORT

2000 - 2002

ReportJunction.com

METACOLOR
Colour Precoated Steel Coils & Sheets

METAGALVA
Galvanized Coil/Plain & Corrugated Steel Sheets

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SHREE PRECOATED STEELS LIMITED

BOARD OF DIRECTORS

Shri C. S. Ajmera	-	Chairman & Managing Director
Shri R. S. Ajmera	-	Managing Director
Shri I. S. Ajmera	-	Director
Shri J. J. Doshi	-	Director
Shri T. Raghavendran	-	ICICI Nominee w.e.f. 9/9/2000
Shri P. Datta	-	SICOM Nominee upto 13/3/2002
Shri K. Kannan	-	Special Director BIFR w.e.f. 28/12/2000
Shri M. Sivaramakrishnan	-	Additional Director w.e.f. 29/10/2001
Shri M. K. Krishnan	-	Chief Finance Controller and Company Secretary

BANKERS
Bank of Baroda - Mumbai
Abu Dhabi Comm. Bank Ltd. - Mumbai
Dena Bank - Mumbai
Allahabad Bank - Mumbai
The Federal Bank Ltd. - Mumbai

AUDITORS
M/s. V. Parekh & Associates

SOLICITORS
M/s. Desai & Diwanji

REGISTERED OFFICE
"Royal Classic", Link Road,
Near Citi Mall,
Andheri (West),
Mumbai - 400 058

PLANT
Sanaswadi, Tehsil Sirur,
Dist. Pune, Maharashtra

REGISTRAR &
SHARE TRANSFER AGENT
Sharex (India) Private Limited
17/B, Dena Bank Building,
2nd floor, Horniman Circle,
Fort, Mumbai - 400 001.

MANAGEMENT TEAM

C. S. Ajmera	-	Chairman & Managing Director
R. S. Ajmera	-	Managing Director
M. K. Krishnan	-	Chief Finance Controller and Company Secretary
S. V. Kulkarni	-	Vice President (Operation)
Sanjay C. Ajmera	-	Executive Vice-President
Ashwin B. Ajmera	-	Executive Vice-President
B. S. Ramamoorthy	-	G. M. (Commercial)
M. P. Singh	-	G. M. (CR Mill & Electrical)
Ramesh Kherdekar	-	G. M. (Systems)
Brig. Booman Rajan (Retd.)	-	G. M. (HRD)

Fifteenth Annual General Meeting on Friday 20th September, 2002 at 3.00 pm at Royal Classic Compound, Link Road, Near Citi Mall, Andheri (West), Mumbai 400 058.

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SHREE PRECOATED STEELS LIMITED

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the shareholders of Shree Precoated Steels Limited, will be held on Friday, the 20th September 2002 at 3.00 pm at Royal Classic Compound,Near Citi Mall, Link Road, Andheri (West), Mumbai - 400 058 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet for the period of 18 (Eighteen) months as at 31st March, 2002 and the Profit and Loss Account ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Jagdish J. Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification the following resolution as an **Ordinary Resolution :**

   "RESOLVED THAT Shri M. Sivaramakrishnan, be and is hereby appointed as Director of the Company"

By Order of the Board of Directors
for **SHREE PRECOATED STEELS LIMITED**

Date : 17th August, 2002

Registered Office :
"Royal Classic", Link Road,
Near Citi Mall, Andheri (West), Mumbai - 400 058

M K KRISHNAN
CHIEF FINANCE CONTROLLER
AND COMPANY SECRETARY

NOTE:

I. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE INSTEAD OF HIMSELF OR HERSELF AND SUCH PROXY/PROXIES NEED NOT BE A MEMBER. PROXY/PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

II. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolution set out against item No.4 of the Notice is annexed hereto.

III. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 16th September, 2002 to Friday, the 20th September, 2002 (both days inclusive).

IV The shareholders desiring any information as regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep information ready.

V. Members are requested to bring their copies of the Annual Report to the Meeting. This is a measure of economy.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4 : Shri M. Sivaramakrishnan was appointed as an Additional Director of the Company at the Board Meeting held on 29th October, 2001. As per Section 260 of the Companies Act, 1956, he shall hold office up to the date of the ensuing Annual General Meeting. The Company has received Notice under Section 257 of the Companies Act, from a member proposing Shri M Sivaramakrishnan for appointment to the office of Director along with a deposit of Rs. 500/- Hence the proposed resolution.Shri M. Sivaramakrishnan is B.E. (Hon's) in Mechanical Engineering and was an Executive Director for Design and Development. He has over 31 years experience in Iron and Steel Industries.Your Directors recommend for the appointment of Shri M. Sivaramakrishnan as Director on the Board of your Company.

None of the Directors is interested in this resolution.

By Order of the Board of Directors
for **SHREE PRECOATED STEELS LIMITED**

Date : 17th August, 2002

Registered Office :
"Royal Classic", Link Road,
Near Citi Mall, Andheri (West), Mumbai - 400 058

M K KRISHNAN
CHIEF FINANCE CONTROLLER
AND COMPANY SECRETARY

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DIRECTORS' REPORT

To,

The Shareholders,

Your Directors present their **FIFTEENTH ANNUAL REPORT** of the Company together with the Audited Accounts for Eighteen months period ended on 31st March 2002.

FINANCIAL RESULTS	Current Period	(Rs. in Lacs) Previous Period
Turnover Gross	**18,814.47**	10,327.81
Export Turnover		
Current Period **Rs. 5,904.54**		
Previous Period **Rs. 3,560.86**		
Gross Profit before interest, Depreciation and Taxation	**549.21**	71.96
Less : Interest	**6,114.21**	4,483.73
Loss before Depreciation & Taxation	**5,565.00**	4,411.77
Add : Depreciation	**1,237.04**	1,059.80
Loss before Taxation	**6,802.04**	5,471.57
Add : Provision for Taxation (Wealth Tax)	**0.96**	Nil
Loss After Tax	**6,803.00**	5,471.57
Add: Adjustment in respect of Previous year	**5.42**	79.04
Net Loss carried to Balance Sheet	**6,808.42**	5,392.53

On Account of loss during the period and accumulated loss no dividend is declared.

STATUS UNDER BIFR:

The shareholders were informed in the earlier Annual Report that on the basis of reference made to BIFR under provisions of Section 3 (1) (o) of Sick Industrial Companies (Special) Provisions Act, 1985 your Company has been declared as a Sick Unit on 03rd March 2000 and ICICIBank Limited has been appointed as an Operating Agency to appraise the rehabilitation proposal for the Company.

Accordingly, your Company has prepared the Rehabilitation Package as directed by The Hon'ble Bench I of BIFR and submitted the same to ICICI Bank Limited who have subsequently prepared a Rehabilitation Scheme for the Company, and held several joint meetings to evolve consensus on the Revival Scheme. Accordingly, under Option I, ICICI Bank Limited, IFCI and IIBI have accepted One Time Settlement (OTS) of Term Loans and under Option II, IDBI and SICOM have accepted Deferred Payments. UTI has agreed to go by One Time Settlement but required deviation for earlier payment. This is under the consideration of The Hon'ble Bench I of BIFR. Dena Bank has agreed for Deferred payments under Option II.

The appraisal of our Need Based Working Capital has been done by Bank of Baroda as Lead Bank, and our consortium banks have agreed to the same. The banks are expected to get the confirmation from the respective Boards' for their share of Working Capital support to the Company.

The Draft Rehabilitation Scheme (DRS) has been circulated by Hon'ble BIFR and final approval of the same by The Hon'ble BIFR is awaited. Your Directors hope the same would be awarded very shortly.

OPERATIONS

Your Directors would like to inform the shareholders that the gross turnover for 18 months period from October 2000 to March 2002 is Rs.18,814.47 Lacs as against Rs.10327.81 Lacs for 18 months period in the previous period, showing a marked increase of Rs. 8,486.66 Lacs. This has been achieved with the present level of limited Working Capital but duly supplemented by adhoc facilities granted by Dena Bank, Abu Dhabi Commercial Bank Ltd. and Bank of Baroda. The Company has got a good order position amounting to Rs.80.00 Crores to be executed in September, October, and November 2002.

Your Directors are pleased to inform the shareholders that your Company has been able to penetrate new marketing areas such as Israel and Europe in the West and China on the Asian Continents besides America. Your Company's exports are increasing significantly and the Company has exported goods on F.O.B. basis amounting to Rs. 5904.54 Lacs. This compares well with the previous period exports at Rs.3560.86 Lacs.

Your Directors appreciate the support extended by consortium bankers who have given adhoc/additional facilities. With the continued efforts for higher turnover, envisaged at 50% more during the current period, to meet the growing demand for your Company's products from domestic as well as overseas market and with the consortium bankers adequate and timely support, your Directors are very confident of achieving enhanced capacity utilisation.

The shareholders are well aware that your Company is one of the largest manufacturers of Colour Coated Sheets both Galvanized Sheets and Aluminium Sheets and having significant features like Skin Passing, Hot Dip Galvanizing, Zero Spangled Sheets and having adequate

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capacity to meet market demand. With the implementation of CR Mill, the growing customers' confidence in the Company's product adding strength to our operations, your Directors are hopeful of doing better.

EXPORTS

As informed in the earlier para your Company's exports during the period under review has been Rs.5,904.54 Lacs as against Rs.3,560.86 Lacs for the corresponding previous period. Your Company's exports are growing with penetration in various new geographical areas. However, the price fluctuation in the overseas steel market is a matter of concern and your Company is taking all the necessary efforts to overcome these difficulties with a strategic plan for domestic market, at a particular time and on, seasonal demands.

Your Directors are conscious of efforts of the marketing officials and with the given encouragement they have brought valuable orders from overseas countries like France, Portugal, Greece, Italy, Israel as well as China and USA. These are primarily for the value added Colour Coated Coils which is your Company's pioneering product. Your Company is adopting adequate plans for improving the exports of Galvanised Steel Coils/Sheets and we take strategic tie up with local business people in overseas market and on occasions directly with the prime consumers. Similarly, Company is tied up for import of raw material for better quality of export products and this strategy has also brought good results.

FUTURE OUTLOOK

Your Company is an ISO 9001 certificate holding manufacturing unit for Galvanizing Prepainted Colour Coated Coils (GPCC) and Aluminium Colour Coated Sheets (ALCC) which are well accepted in the international market and comparable well with the international standards like ASTM, DIN, BS, GIS and IS. Your Company is also a coveted member of European Coil Coating Association. With the intended approval of the DRS, your Company has envisaged to produce to the extent of 70% to 80% capacity utilisation for an amount at Rs.250.00 Crores during the ensuing year. Your Company's marketing efforts has been geared steadily to clear the targeted production.

CRM

The Company's Cold Rolled Mill (CRM) project, under Backward Integration Scheme has been completed and successfully carried out trial production. Accordingly, from 01st April 2002, the commercial production has commenced on this mill and the expenditure on CRM has been capitalised accordingly. With the implementation of CR Mill the bottleneck in obtaining the quality of raw material viz. Cold Rolled Coils (CR Coils) has been eliminated and hence there will be a significant improvement in the production and sales. As the shareholders are aware your Company has also erected and commenced operations in the Pickling Line which has added strength to the quality of the product and thus, enhanced the Company's productive strength. Your Directors are confident of improving the operating efficiency of the new CR Mill and Pickling Line so as to achieve an uninterrupted and un-hindered production and quality products.

DIRECTORS

Shri Jagdish J. Doshi retires by rotation in the ensuing Annual General Meeting and being eligible for reappointment offers himself for such reappointment.

Shri M. Sivaramakrishnan who was inducted on the Board of your Company as Additional Director w. e. f. 29th October 2001and holds office till the ensuing Annual General Meeting being eligible offers himself for appointment as Director. Shri M. Sivaramakrishnan is B.E. (Hon's) in Mechanical Engineering and was an Executive Director for Design and Development. He has over 31 years experience in Iron and Steel Industries. He is an expert in Steel industry having vast and significant technical knowledge and exposure in the industry and particularly Cold Rolled Mill, Galvanised Mill and Colour Coated Mill. Your Directors recommend for the appointment of Shri M. Sivaramakrishnan as Director on the Board of your Company.

Shri P. Datta who was the Nominee Director of SICOM has been withdrawn as such Nominee Director w. e. f. 13th March 2002. Your Directors place on record their sincere appreciation of the contribution made by Shri P. Datta as Nominee Director of SICOM during his tenure as Director.

Shri Chhotalal S Ajmera who has been appointed as Chairman & Managing Director from 01st October 1999 and Shri Rajnikant S. Ajmera, who has also been appointed as Managing Director from 01st October 1999 have agreed not to draw their salary from April 1999 onwards till they notify otherwise. Hence they have not drawn any salary during the period under review.

DEPOSITS

The Company has not accepted any deposits within the meaning of Section 58 A of the Indian Companies Act, 1956 and the rules made thereunder during the period under review.

AUDITORS

Your Company's Auditors, M/s. V Parekh & Associates, Chartered Accountants, retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished necessary Certificate in terms of Section 224 (1B) of the Companies Act, 1956.

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The Audit Committee has considered and decided to recommend re-appointment to Board of Directors. Your directors have accepted the recommendation of the Audit Committee and on its part recommend to shareholder for the appointment of M/s. V. Parekh & Associates, Chartered Accountants as Auditors of the Company for the year 2002 – 03.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is as follows:

(A) Conservation of Energy:

a) Conservation of Energy measures taken during 2000 – 02:
The Company had appointed Andhra Pradesh Productivity Council for a detailed study on Energy conservation measures. As per the recommendation under the report a detailed plan of action has been drawn & a few measures have been implemented also. The efforts are on to bring the power factor closure to unity.

b) Additional investments and proposals for reduction in consumption of energy:

At present we have only paid study service charges. No capital expenditures have been so far incurred. On the basis of above study & implementations of the same we are yet to evaluate any capital expenditure

c) Partial implementation of detailed study carried out, as above, we have been able to save approx. Rs. 3 Lacs per month in the cost of energy.

Total energy consumption and energy consumption per unit of production.

I. POWER AND FUEL CONSUMPTION

		CURRENT PERIOD AS ON 31.03.2002	PREVIOUS PERIOD AS ON 30.09.2000
1. Electricity			
Purchase Units	(KWH)	2,29,86,610.00	85,47,356.00
Total Amount	(Rs.)	10,25,38,610.00	3,93,20,373.00
Rate / Unit	(Rs.)	4.46	4.60
2. LPG			
Purchase Units	(MT)	3,031.79	1,231.20
Total Amount	(Rs.)	5,06,01,663.00	1,93,64,782.00
Rate / Unit	(Rs.)	16,690.35	15,128.38

II. CONSUMPTION PER UNIT OPRODUCTION

Unit of production (MT)	95278.760	47,580.74
Power (Units / MT)	241.26	179.64
LPG (Kgs. / MT)	31.82	25.88

Environment

Your Company is glad to report that it continues to ensure that the air, water and other environmental standards are achieved as per the prescribed norms. Following is the report, which present a summary of the standard achieved in relation to those prescribed.

POLLUTION STATUS REPORT

(a) Air Pollution level:

Parameter	Unit	MPCB norms	Compliance
SPM	mg/m3	150	145
Acid mist	mg/nm3	35	15
SO2	Kg/day	200	135
SO2 (Process)	PPM	50	26
NOx	mg/m3	120	Nil

b) Waste water discharge:

Parameter	Unit	MPCB norms	Compliance
pH	—	7 - 8.5	7.5 - 8
BOD	mg/lit	30	28
COD	mg/lit	250	85
TSS	mg/lit	100	74
TDS	mg/lit	2100	1412
Chlorides	mg/lit	600	320
Sulphate	mg/lit	1000	210
Zinc	mg/lit	5.0	Nil
Hex Chromium	mg/lit	0.1	Nil
Tot. Chromium	mg/lit	2.0	Nil
Per.Sodium	—	50	34
Total Metal	mg/lit	10	Nil
Oil & Grease	mg/lit	10	Nil

The above parameters are as per the requirement of MPCB consent No. BO/ROP/Pune-127/R/CC/-428 dated 02/08/2001.

(B) Technology Absorption

(i) R & D

In the galvanising section various activities have been successfully carried out to reduce the dross formation, improve the Zinc adhesion on substrate, coating mass control and control of alloy layer and pure Zinc formation. Continued efforts on Glavanising Line have been made so that the Company can cater to the export market having higher Zinc coating upto 275 gms. per sq.mtr.

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(ii) Technology Absorption & Innovation

The Company has successfully absorbed the technology to produce high quality Galvanised as well as Colour Coated Steel to cater to diverse Domestic and International Market segments. Trials of galvanising on Hot Rolled pickled and skin passed substrate have been successful and a bright future is anticipated in this sector. Our Company has successfully carried out the trials for producing Cold Rolled Coils and further trial regarding thinner gauge rolling is in process. The mill is commissioned from April 2002.

(iii) Benefit Derived

Due to the on going improvement activities, the Company is confident of supplying better quality steel, both galvanised and colour coated, to its customers at competitive prices. This would go a long way in improving the customer relations thereby earning infinite benefits to the Company.

(C) FOREIGN CURRENCY EARNINGS & OUTFLOW:

1. Activity relating to Exports

Action has been initiated for widening the product range of value added products in export markets. The Company's physical exports during the period under review is Rs. 5,904.54 Lacs (US $ 12.57 million) compared to previous period of Rs. 3,560.86 Lacs (US $ 8.29 million and Euro $ 0.30 million).

2. Foreign Exchange – Inflow & Outflow

	As on 31.03.2002 (18 Months)	As on 30.09.2000 (18 Months)
Inflow	590,454,299	356,086,475
Outflow:		
(a) Travelling Expenses	2,990,554	692,832
(b) Interest Charges	162,561,031	120,979,524
(c) Repairs & Maintenance	1,564,276	NIL
(d) Membership, Books & Periodicals	200,884	194,279
(e) Sales Commission	279,323	925,122
(f) Sales Promotion	94,129	448,280

INDUSTRIAL RELATIONS

Industrial Relations during the period under review have been fairly above average. There was a strike by unionised employees and the same has been settled. The workmen demands were cleared. Workmen got revision in their salary/wages.

PARTICULARS OF THE EMPLOYEES

During the year, no employee of the Company was in receipt of remuneration exceeding the sum prescribed under Section 217 (2A) of the Companies Act, 1956. Hence, furnishing of particulars under the Companies (Particulars of employees) Rules, 1975 does not arise.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Indian Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

I. In the preparation of the annual accounts for the financial year ended 31st March 2002, the applicable accounting standards had been followed.

II. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review.

III. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

IV. The directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report are made a part of the Annual Report.

COMPLIANCE CERTIFICATE

The certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this Report.

ACKNOWLEDGEMENT

The Directors wish to thank the Customers, Dealers, Suppliers, Consumers, Bankers, Financial Institutions, the Central & State Governments, Semi Government Bodies and Reserve Bank of India for their continuous support. They also take this opportunity to record their appreciation of the contribution made by all employees to the operations of the Company during the period under review.

By order of the Board of Directors

For **SHREE PRECOATED STEELS LIMITED**

C. S. AJMERA
Chairman & Managing Director

Place : Mumbai
Date : 17th August, 2002

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MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Indian economy in general & steel industry in particular has its worst year in recent times. Industrial production had a modest growth of 2.5% compared to 5.1% in the previous years, despite an investor friendly budget & soft interest rates.

The vulnerability of the domestic steel industry was never more apparent than in the year gone by. The sector was plagued by problems of low-price, over capacity & rising protectionism overseas. Demand for flat products was stagnant, prices of flat were subdued, with Consumer Durable sectors severely impacted by the slowdown.

While the global steel market is showing some nascent signs of improvement in prices, the recovery is bound to be gradual over a period of time. For this to happen, the global economy has to emerge from the current recession. In fact, the producer response to market changes have become faster.

The Indian economy is expected to do better in the current year. Domestic steel consumption is expected to grow by about 7%. However, production is also expected to keep pace with the increased demand. Unlike the developing trend in the advance countries, the Indian steel industry continues to be fragmented & show no sign of consolidation. The excess capacity is likely to ensure that price increases are moderate.

Overall operational of your company performance improved substantially during the year. Gross production of saleable output of the company was an all-time record. In colour coating line & production was 30581 MT as against 18101 M.T. Galvanised production was 68345 MT as against 29118 MT in the previous. The production department received excellent support from the Company's other departments.

Your Company's domestic sales was the best ever achieved. To enhance net realisation, the Company, apart from improving the product mix, is increasingly differentiating its products through "Branding". The Company is also actively involved in promotion of use of its products in the large rural market.

INTERNAL CONTROLS & SYSTEMS

The Company has adequate internal control systems for the business processes across various Profit Centers, in respect of efficiency of operations, financial reporting, compliance with applicable laws & regulations etc. The internal control system is supplemented by extensive audits conducted by the Company. The audits are conducted to review the adequacy & effectiveness of internal control & suggest improvements for straightening them. Audit plans are made out with due weightage to the risk parameters associated with the business processes. Reviews are carried out to ensure follow up on the audit observations. The company's internal controls are well established. The Company has an internal audit as well as ISO 9001 audit quality that assess the internal control systems. The statutory auditors & audit committee reviews these control regularly. Any change in the internal control that is recommended is studied & implemented. The company also has an information technology system that supports the organisation & ensures an adequate information flow across the company's location. Recently we have changed over from FoxPro based ERP (Octopus) systems to "Oracle" based systems for greater flexibility & integration.

OPPORTUNITIES & THREATS

Significant opportunities are available from Export markets. Where newer applications & markets are being developed both for the galvanised as well as Colour coated products. The domestic market is also picking up both in the building construction application & automobile as well as white goods manufacturing. The Company has sound quality controll with most modern laboratory tools.

Threats: These are mainly perceived from the domestic manufacturers as well as very slow growth rate in domestic markets influenced by erratic monsoon & erosion in purchasing power.

OUTLOOK

The challenge lies in exploring & developing newer markets & products to match customer specifications. The Company expects to introduce value-added products for the building, automotive industry & consumer goods (White good) industries. The focus is also on cost reduction, as well as quality & productivity improvements, resulting in enhanced customer satisfaction. We have three teams working on the "SIX SIGMA" project to achieve these targets.

BUSINESS PORTFOLIO RISK.

As excessive dependence on any business could threaten the Company's income & profits, especially if conditions in that business become adverse.

RISK MITIGATION

The Company's business portfolio is diverse & caters to different segments. In the opinion of the management, this diverse income profile is an effective edge against an excessive dependence on any one segment. Of course the international competitiveness on account of much favourable labour give edge to the Company in marketing.

TECHNOLOGY OBSOLESCENCE RISK.

Technologies currently used by the company could be modestly overtaken

RISK MITIGATION

The Colour Coating business is adequately protected since the Company continues to work at the cutting edge of component technology with its vendors. We are reviewing the present situation to keep pace with technology abreast.

The technology for the manufacture of Cold Rolled & Galvanised products has not undergone any significant change over the years. In the technology-intensive high-end products, the Company is conscious of upgrading its technology skills. The Company has in-built competencies in certain product line which enables it to enjoy a dominant share of the market. The Company expects to sustain these skills & grow in response to the business climate. The fortunes of our business lie on the success of the models of the OEM customers to which it caters.

ENVIRONMENTAL RISK

Any emission or discharge beyond the norms laid out by the relevant pollution control board could bring in legal censure & affect the company's image as a clean producer.

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RISK MITIGATION

The company possesses a comprehensive Safety, Health & Environment, hence we are taking care of this policy that acts as on effective safeguard against any product or process that could pollute the environment. The Company has continuously invested in capital equipment to prevent the release of polluting elements into the immediate or distance environment.

IMPORT RISK.

The Company's products could be out-priced by lower cost imports.

RISK MITIGATION

Imports from overseas manufacture may be a threat to our business. This threat is minimal in the low priced standards segment. However it will be difficult for overseas manufactures to build a national brand in India. The company's focus on product development will enable it to compete in low, medium & high priced segments. The prohibitive freight component, a high element of customisation & the need to supply material on a just-intime basis are deterrents to the import of similar products.

INDUSTRIAL RISK

Consumers may stop buying products being made by the Company.

RISK MITIGATION

The Company is convinced that its business are of long term nature. As, GDP grows, the management foresees an increase in the demand for our products.

The automotive industries is a large user of the Company's strip, colour coated formed products. The demand for passenger cars & two-wheelers is growing with the Governments proposed investment in infrastructure-roads and highways. There is bound to be an increased demand for your Company's products. With its years of experience the company is confident to maintain its leadership in terms of quality & timely deliveries to customer satisfaction.

BRAND AND AWARENESS RISK

The Company's brand may be poorly positioned & result in a drop in off-take.

RISK MITGATION

The Company's brands are prudently positioned. The Company reinforces its brand through the selection of the right promotional media, selection of the right agency, the creation of advertisement in line with the respective brand attributes & and adequate brand spend.

LOCATION RISK

The Company may be far from its raw material sources or customers, making its presence unviable.

RISK MITIGATION

To mitigate this risk, the Company embarked on vendor development all around for the procurement of material.

The manufacturing unit is strategically located to maximise the benefit of sourcing raw material at a lower cost.

CYCLICALITY RISK

A vulnerability to business cycles could affect the Company's capacity to sustain a growth in income, profits & shareholder value.

RISK MITIGATION

Business cycles are getting shorter over the years in this industry. To protect its profits, the Company has cut cost & restructured its business. The Company had graduated to the value-added, segment. Breakeven levels have dropped. Relevant product innovations are expected to accelerate growth.

FINANCIAL MANAGEMENT

The Company has a Financial Management Information Systems in place, which involves preparation of detailed Annual Business plan for the current year & **a broad forecast of projection for next years, which is reviewed** every year. Capital expenditure commitments & borrowing plans are based on these forecasts.

INDUSTRIAL RELATIONS & HUMAN RESOURCE MANAGEMENT

The year under review saw sweeping changes in the HR policies & processes, necessitated by the need to make the Company a high performing organisation. A new initiative styled as the Performance Based Scheme (PBS) was launched comprising three essential elements redesigning the organisation structure, delayering the officers' levels is in progress. The new HR processes are under development. New Wage agreement was signed with the Company Union which is valid till Sept, 2004. While the industrial climate was largely peaceful, there was strike by the Unionised employees in the company's manufacturing unit at Sanaswadi & operations were closed from 6th March to 24th March

The directors wish to acknowledge the efforts of all the employees in helping the Company pull through in this most difficult period.

STATUTORY COMPLIANCE

On obtaining confirmation from the manufacturing unit of the Company of having complied with all the statutory requirements, a declaration regarding compliance of the provisions of the various statutes is made by the Managing Director at each Board meeting. The Company Secretary, as Compliance Officer, ensures compliance of the SEBI regulations & provisions of the listing Agreements.

CAUTIONARY STATEMENT

Statements made in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations may be "Forward-looking statements" within the meaning of applicable securities laws & regulations. Actual result could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply & price conditions in the domestic & overseas markets in which the company operates, changes in the government regulations, tax laws & other statutes & other incidental factors.

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CORPORATE GOVERNANCE

Shree Precoated Steels Limited has committed to good Corporate Governance practices. Being a value-driven organisation, we have always worked towards building trust with customers, suppliers and diverse stake-holders including our Share holders and employees. The four key elements of corporate Governance are transparency, fairness, disclosure and accountability. Your Company remains committed to laying strong emphasis on Corporate Governance, which is an important instrument, for the shareholders' protection.

Corporate governance policies and practices in accordance with the provisions of clause 49 of the Listing Agreement, are :

Board of Directors

Composition

The board of Shree Precoated Steels Limited consists of seven Directors, five of whom are non-executive directors and four directors are independent (see Table 1). During the year, the board of directors appointed, Shri M. Sivaramakrishnan, as an additional director with effect from 29th October, 2001.

The chairman is an Executive Director so also the Managing Director. The board consists of non-executive and independent directors. Hence Clause 49 of the Listing Agreement is adequately met . And this ensures a good blend of executive and independent directors, and achieves the desired level of independence of the board. All non – executive directors are persons of eminence, and bring a wide range of expertise and experience to the board. The Board has two nominee directors viz. Mr. T. Raghavendran Nominee director of ICICI Bank Ltd. and Mr. K. Kannan a Special Director of BIFR.

Board procedures

During the year 2001 – 02, the board of directors met six times on the following dates: 30 April 2001, 13 June 2001, 31 July 2001, 29 October 2001, 30 November 2001 and 31 January 2002. The gap between any two meetings never exceeded three months, compared to the mandated requirement of no more than four months in clause 49. The dates of the meetings were generally decided well in advance.

Information supplied to the Board

The board of Shree Precoated Steels Ltd. is presented with all the relevant information on various vital matters affecting the working of the Company, as well as those that require deliberation at the highest level. Extensive information is provided on various critical items such as: (a) production, sales and capital expenditure budgets, (b) sales and financial performance statistics, (c) staff matters, including senior appointments and extensions, (d) share transfer compliance, (e) quarterly financial results and Half Yearly Limited Audited Results (f) significant labour and human relations matters, (g) statutory compliance reporting system (h) insider trading disclosure procedures, and such other matters.

Attendance record of directors

Table 1 gives the composition of the board and the attendance record of all the directors at the six board meetings held during 2001 – 02, as well as at the last Annual General Meeting

Outside directorship and membership of board committees

Table 2 gives the number of outside directorship and committee positions held by the directors of Shree Precoated Steels Limited.

Table 1

Name of director	Category	Meetings attended	Whether attended Last AGM on March 2001
Chhotalal S. Ajmera	Chairman and Managing Director, executive	3	No
Rajnikant S. Ajmera	Managing Director, executive	6	Yes
Ishwarlal S. Ajmera	Director Non- Executive	3	Yes
Jagdish J. Doshi	Non – executive, independent	5	Yes
K. Kannan	Special Director – BIFR, independent	6	Yes
P. Datta **	Nominee director – SICOM, independent	2	No
T. Raghavendran	Nominee director – ICICI Bank Ltd., independent	6	No
M. Sivaramakrishnan *	Non – executive, independent	3	NA

Note: * Appointed effective from 29 October 2001 as an additional Director
**** Withdrawn w.e.f. 13 March 2002**

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