

19th annual report

FOR THE YEAR ENDED
31ST MARCH 2005

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ASHIRWAD STEELS

& INDUSTRIES LIMITED

ASHIRWAD STEELS & INDUSTRIES LTD.

BOARD OF DIRECTORS

Puranmal Agarwal, *Chairman*
Dalbir Chhibbar, *Managing Director*
Yudhbir Chhibbar, *Director*
Suresh Kr. Agarwal, *Director*
Ashok Kumar, *Director*
Pravin Kumar Chhabra, *Director*

AUDITORS :

A Pradhan & Associates
Chartered Accountants
2D, Panditia Road, Kolkata-700 029

BANKERS :

CITIBANK, N.A., Kolkata
HDFC Bank Ltd., Kolkata
IDBI Bank, Bistupur, Jamshedpur
State Bank of India, Nalgonda (A.P.)
State Bank of India, Raigarh, Chhattisgarh
Allahabad Bank, Raigarh, Chhattisgarh

REGISTERED & HEAD OFFICE :

6 Waterloo Street
5th Floor, Suit No. 506
Kolkata-700 069 (W. B.)
Phone : 2243-0372 / 2210-1376
Fax : 091-033-2243-0376
E-mail : ashirwad@cal3.vsnl.net.in

WORKS :

SPONGE IRON PLANTS

1. Plot Nos. A1, A3, A5 & A7, Phase - V
Adityapur Industrial Area, Gamharia
Jamshedpur-832108, Jharkhand, Pin : 832108
Phone : (0657) 3092075 / 2386003,
Fax : 2386283
2. Vill. & P.O. Veliminedu, Mandal-Chityal,
Dist : Nalgonda, Andhra Pradesh, Pin : 508114
Phone : (08682) 274690, Fax : 274691

LPG BOTTLING PLANT

1. Uluberia Industrial Growth Centre,
Uluberia, Howrah, West Bengal, Pin : 711315
Phone : 033-26610714
2. Village : Kisnapur
Near Urdana Check Post
Raigarh, Chhattisgarh
Pin : 496001, Ph. : (07762) 232558

REGISTRARS & TRANSFER AGENTS :

Niche Technologies Pvt. Ltd.
D-511, Bagree Market,
71, B.R.B.B. Road, Kolkata-700 001
Ph. No. (033) 2235 7271/2234/3576
Fax : 22156823
E-mail : nichetechpl@nichetechpl

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at the Registered Office of the Company at 6, Waterloo Street, 5th Floor, Suit No. 506, Kolkata-700 069 on Monday the 12th September, 2005 at 10.30 a.m. for the following purposes:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Director's Report and the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss A/c. for the year ended on that date with the Auditors Report thereon.
2. To appoint Directors in place of Mr. S. K. Agarwal and Mr. Ashok Kumar who retire by rotation and being eligible offer themselves for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To pass with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED that Mr. Pravin Kumar Chhabra who was appointed as an Additional Director of the Company with effect from 17th June, 2005 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

Place : Kolkata

Dated : 22nd June, 2005

By order of the Board

Regd. Office : 6, Waterloo Street, 5th Floor
Suit No. 506, Kolkata-700 069

Dalbir Chhibbar
Managing Director

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The instrument of proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting.
2. The Register of Members of the Company will remain closed from Monday the 5th September, 2005 to 12th September, 2005 (both days inclusive).
3. Shareholders/Proxy holders are requested to produce at the entrance the attached admission slip duly completed and signed, for admission to the meeting place.
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

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5. Members are requested to notify immediately any change in their address to the Company or to its share transfer Agents/Registrars.
6. Pursuant to the newly enacted provisions of the Companies Act, 1956, members are informed that every holder of shares in a company may at any time nominate in the prescribed manner a person to whom his/her shares in the Company shall vest in the event of his/her death.
7. Members are requested to send in their queries at least a week in advance to the Company at the Registered Office of the Company to facilitate clarifications during the meeting.

Place : Kolkata

Dated : 22nd June, 2005

By order of the Board

Regd. Office : 6, Waterloo Street, 5th Floor

Suit No. 506, Kolkata-700 069

Dalbir Chhibbar

Managing Director

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

Item No. 4

Mr. Pravin Kumar Chhabra was appointed as an Additional Director of the Company with effect from 17th June, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only upto the date of the forthcoming Annual General Meeting of the Company and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956, in respect of him, proposing his appointment as a Director of the Company, along with the requisite deposit.

Keeping in view of his wide experience and expertise, his appointment as Director of the Company is recommended.

Mr. Pravin Kumar Chhabra may be deemed to be interested in the resolution relating to his own appointment.

Place : Kolkata

Dated : 22nd June, 2005

By order of the Board

Regd. Office : 6, Waterloo Street, 5th Floor

Suit No. 506, Kolkata-700 069

Dalbir Chhibbar

Managing Director

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Directors present their 19th Annual Report and Audited Statement of Accounts of your Company together with Auditors Report for the year ended 31st March 2005.

	Current year (31.3.2005) Rs.	Previous year (31.3.2004) Rs.
FINANCIAL RESULTS :		
Turnover/Income from Operations	74,48,93,098	38,76,44,568
Operating Profit before interest, Depreciation and Taxation	8,82,81,551	5,10,77,932
Depreciation	83,85,553	51,49,361
Financial Charges	2,04,41,413	1,13,93,406
Profit before Taxation	5,94,54,585	3,45,35,165
Provision for Taxation :		
Current Income Tax	87,77,000	49,43,000
Deferred Income Tax (See Note : 9)	97,51,460	47,78,385
Profit after Taxation	4,09,26,125	2,47,74,296
Add : Profit brought forward from last A/c.	3,17,54,523	1,69,80,227
Profit available for appropriation	7,26,80,648	4,17,54,523
Less : Transferred to General Reserve	1,00,00,000	1,00,00,000
APPROPRIATIONS :		
Balance Carried forward	6,26,80,648	3,17,54,523

OPERATIONS & FINANCIAL PERFORMANCE :

The performance of your Company during the financial year ended 31.3.2005 has been highly encouraging. The total income from operations/turnover stood at Rs. 74.49 crores (previous year Rs. 38.76 crores). During the year your Company produced 81827 M.T. of Sponge Iron (previous year 45213 M.T.). During the year your Company successfully commissioned the second phase of the Sponge Iron Manufacturing Plant at Vil. & P.O. Veliminedu, Dist. Nalgonda, Andhra Pradesh. The operating profit before interest, depreciation and income tax for the year stood at Rs. 8.83 crores compared to previous year's figure of Rs. 5.11 crores. After taxation the net profit of the Company stood at Rs. 4.09 crores (previous year Rs. 2.48 crores). Your Directors are making all out efforts to improve the financial performance of the Company.

SPONGE IRON PROJECT

During the year under review your Company successfully commissioned the 2nd phase of the Sponge Iron Plant at Vil. & P.O. Veliminedu, Mandal Chityal, Dist. Nalgonda, Andhra Pradesh with an annual installed capacity of 30000 M.T. The total installed capacity of the Company to manufacture Sponge Iron now stands at 96000 M.T. per annum.

DIVIDEND

Your Directors do not recommend any dividend for the year under review.

-SHIRWAD STEELS & INDUSTRIES LTD.**AUDITORS :**

M/s A Pradhan & Associates, Chartered Accountants, were appointed as statutory auditors of your Company in the last Annual General Meeting and they being eligible have offered themselves for re-appointment at the ensuing Annual General Meeting.

DIRECTORS

Mr. Suresh Kr. Agarwal and Mr. Ashok Kumar retire by rotation from the Board and being eligible offer themselves for re-appointment.

Mr. Pravin Kumar Chhabra was appointed as an Additional Director of the Company with effect from 17th June, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received a notice proposing his candidature for the office of Director. Resolution seeking approval of shareholders for his appointment has been incorporated in the Notice of the forthcoming Annual General Meeting.

FIXED DEPOSIT

The Company has not accepted any deposits from the Public during the year.

CORPORATE GOVERNANCE

Corporate Governance Report along with the certificate of the Auditors confirming compliance of conditions of Corporate Governance as required under Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.

LISTING OF COMPANY SHARES & LISTING FEES

The Equity Shares of the Company are listed at Mumbai Stock Exchange. The Company has paid the annual listing fees for the financial year 2004-05. The Company has got its shares de-listed from Kolkata and Delhi Stock Exchanges.

SHARE REGISTRARS & TRANSFER AGENTS :

Niche Technologies (P) Ltd. D-511, Bagree Market, 71, B.R.B.B. Road, Kolkata-700 001,
Phone : 033 2235 7270 / 71, Fax : 033-2215 6823, E-mail : nichetechpl@nichetechpl

DEPOSITORY DETAILS :

1. Central Depository Services (India) Ltd. P. J. Towers (17th floor), Dalal Street, Mumbai-400 023, Ph. 022-22723333, Fax : 022-2272 3199.
2. M/s. National Securities Depository Limited, Trade World, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai-400 013, Ph. : 022-24972964-70.

DEMATERIALISATION OF SHARES :

As per SEBI's direction the Company has signed tripartite agreements with these depositories and Registrars and Transfer Agents in November, 2000. Dematerialisation facility is now available. According to SEBI's guidelines trading in Demat form has been made compulsory for all classes of investors. Therefore, it is in the interest of all the shareholders to convert their physical holdings into electronic holdings by de-materialisation.

PERSONNEL :

No employee was in receipt of Salary exceeding the limits prescribed u/s 217(2A) of the Companies Act, 1956 and hence the Statement of Particulars of employees as required under that section is not applicable to your Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.

As regards the information required 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, your Directors give the following particulars to the extent applicable to your Company.

(A) CONSERVATION OF ENERGY :

The power requirement at Company's Gas Bottling Plant at Raigarh, Chhattisgarh is negligible as only bottling of Gases is being done. For Sponge Iron Plants, the Capacitor Panels of adequate size and number have been installed to save power.

(B) TECHNOLOGY ABSORPTION :

The Company is using in-house technology and expertise for its LPG Bottling Plants. The technology to manufacture of Sponge Iron was provided by an outside agency. The said technology is fully indigenous and is now well established. The Company has not made use of any imported technology for its products/plants so far.

(C) FOREIGN EXCHANGE EARNINGS AND OUT-GO :

During the year under review there was no earning in foreign exchange. The expenditure in Foreign Currency on account of foreign travel was Rs. 1,56,800/-

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that 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 or loss of the Company for the year under review.
- (iii) that the Directors had taken proper and sufficient care 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 for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

ACKNOWLEDGEMENT :

Your Directors would like to convey their sincere appreciation for the assistance and co-operation received from the valued customers, suppliers and Shareholders during the year under review. Your Directors also wish to place on record their appreciation for the contribution of the employees at all levels.

Place : Kolkata

Dated : 22nd June, 2005

For and on behalf of the Board

Puranmal Agarwal
Chairman

Dalbir Chhibbar
Managing Director.

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ANNEXURE TO DIRECTOR'S REPORT

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION :		Current Year 2004-2005	Previous Year 2003-2004
1. Electricity :			
(a) Purchased			
Units		38,53,927	11,38,137
Total amount (Rupees)		1,44,72,974	53,10,068
Rate/Unit (Rupees)		3.76	4.67
(b) Own generation (D. G. Set)			
Units		4,24,958	1,04,335
Cost/Unit		7.16	2.31

Note :

The Company has not consumed or used Furnace Oil during the year under review. The Sponge Iron Plants have, however, consumed a large quantity of Coal and the related quantitative figures are reflected in the financial accounts elsewhere. The quantity details are not being given here as Coal acts as a raw material for Sponge Iron Manufacturing and not as a fuel.

B. CONSUMPTION OF ELECTRICITY PER UNIT OF PRODUCTION OF SPONGE IRON/BOTTLING OF GAS.

(i) Units consumed per Metric Ton of Hydrocarbon Gas / L P Gas bottled	21.30	26.97
(ii) Units consumed per Metric Ton of Sponge Iron produced	47.02	25.00

FORM-B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION :

1. RESEARCH AND DEVELOPMENT :

The Company has not so far carried out any significant Research & Development work. The Company shall however do R & D work as and when required to improve the quality of its products. The Company has not incurred any expenditure on this account so far. The Company, however, has a full fledged laboratory at its Sponge Iron Plant for testing the quality of raw materials and also of the finished products.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Since no technology has been absorbed from outside, the item is not applicable to us. The Company, however, continues its efforts for upgradation of technology in order to improve the quality and reduce costs to the extent possible.

For and on behalf of the Board

Place : Kolkata
Dated : 22nd June, 2005

Puranmal Agarwal
Chairman

Dalbair Chhibbar
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**(a) Industry Structure and Developments :**

India is the second most fast development country next only to China and in every developing economy the consumption of Cement and Steel is bound to grow more or less in direct relation with growth of the economy. Hence, the steel consumption is going up from year after year and this phenomenon is going to continue. Your Company being manufacturer of Sponge Iron which has now become one of the major raw materials of the manufacturer of finished steel has benefited from the pattern of increased steel consumption during the last 5 years of manufacturing of Sponge Iron.

During the year under review your Company successfully commissioned the 2nd phase of the Sponge Iron Plant at vil. & PO Veliminedu, Mandal-Chityal, Dist. Nalgonda, Andhra Pradesh with an annual installed capacity of 30000 MT.

(b) Opportunities and Threats :

Though the demand for sponge iron witnesses an increase there was also an increase in the prices of raw material. There was a sharp increase in the prices of raw materials like Iron Ore and coal primarily due to supply shortage. Sustained availability and stability of raw material prices are pre-requisites for smooth operations and stable output prices for a capital-intensive industry like ours. Moreover, the Company also faces immediate competition from domestic players of sponge iron who have mushroomed in the past three years. The fresh production capacity of Sponge Iron installed in the last 2/3 years is certainly now threatening the industry as there is no corresponding or matching increase in the consumption of Sponge Iron.

(c) Segment-wise Product-wise performance:

Your company has only two segments namely sponge iron and gas taking into account the nature of the product, uses and production system.

Segment-wise performance in detail has been given in Schedule 22 to the audited accounts of the Company which are available in this annual report.

(d) Outlook :

In the current financial year the Steel Industry throughout the World is feeling the sluggish demand and the selling prices of steel are witnessing a downward trend. The Sponge Iron prices have also beginning to witness a fall from May, 2005 onwards, primarily because of over capacity and also import of cheap steel scrap which is a direct substitute of Sponge Iron. Though it is difficult to predict the performance of Steel Industry in the current financial year but the current developments are not very healthy and encouraging.

(e) Risks & Concerns :

Risk is inherent in every business activity and Sponge Iron industry is no exception. The steel industry displays strong commodity characteristics and is subject to cyclical price movements in business cycles. The Company is exposed to risks from overall market fluctuations.

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Changes in government policy, laws of the land, increases in cost of inputs like Iron Ore, Coal, Power, Diesel etc. are likely to affect the profitability of your Company if there are no corresponding increase in selling prices.

(f) Internal Control System and its Adequacy :

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly and applicable statutes are duly complied with. The Company has constituted an Audit Committee to monitor the adequacy and efficacy of internal control system.

The adequacy of these compliances and their effectiveness is subject to statutory audit and the same has been adequately reported by the Auditors in their report as required under the relevant provisions of the Companies Act, 1956.

(g) Discussions on financial performance with reference to operational performance :

Your company has shown good performance with profits increasing during the year under review. The income from operations/ turnover stood at Rs. 74.48 crores as compared to Rs. 38.76 crores in the previous year. The operating profit before interest, depreciation and taxation was higher at Rs. 8.83 crores when compared to Rs. 5.11 crores in the previous year. The net profit increased during the year to Rs. 4.09 crores as compared to Rs. 2.48 crores in the previous year. Your Directors continuously strive to improve the performance of your company.

(h) Material Developments in HRD and industrial Relations Front :

We recognise the value of people as our most valuable asset and believe that your Company's employees are central to its sustainable success. Developing, motivating, rewarding and retaining talent at all levels is a business priority and a key responsibility of your company's management. It is this policy of ours that has enabled us to attract and retain the best talent in the industry and maintain harmonious relations with them, always keeping in mind our business objectives.

(i) Cautionary Statements :

Statements in this management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be termed as forward looking statements within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied. The readers of this report are, therefore, cautioned to read the same with this caution.