



# **ADITYA ISPAT LIMITED**

Regd. Office : Plot No. 20, Phase V, IDA, Jeedimetla, Hyderabad - 500 055.

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## **14th ANNUAL REPORT 2004-2005**

**Board of Directors :**

Shri Satya Bhagwan Chachan  
Shri Surendra Kumar Jain  
Shri Sanjay Solanki  
Shri Swamy S.B. Das

Chairman  
Director  
Director  
Director

**Auditors :**

M/s. Dagliya & Company  
Chartered Accountants  
5-5-9/13, 2nd Floor, Srinivasa Building,  
Ranigunj, Secunderabad - 500 003.

**Registered Office & Works :**

Plot No. 20, Phase V,  
IDA, Jeedimetla,  
Hyderabad - 500 055.

**Bankers :**

Allahabad Bank  
Balanagar Branch  
Hyderabad - 500 018.

**Registrar & Share Transfer Agents :**

M/s. XL Softech Systems Private Limited  
3 Sagar Society, Road No. 2,  
Hyderabad - 500 034.  
Tel : 040-23545913/14/15, Fax : 23553214  
ISIN NO. INE037E01016

**NOTICE**

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Aditya Ispat Limited will be held on Friday, the 30<sup>th</sup> September, 2005 at 10.30 AM at Agrasen Hall Trust, Near Hotel Emerald Bhavan, Abids Road, Hyderabad – 500 001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31<sup>st</sup> March, 2005 and the Balance Sheet as on that date together with the reports of the Auditors and Directors thereon.
2. To appoint a director in place of Shri S.B Chachan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri Swamy S.B.Das, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration and if thought fit, to pass with or without modification, the following resolution as on Ordinary Resolution:

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

**SPECIAL BUSINESS**

5. To consider and if thought fit, to pass, with or without modification, the following provisions, as on Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 5,01,00,000 (Rupees Five Crores one lac only) to Rs. 15,01,00,000 (Rupees fifteen Crores one lac only) by creation of further 1,00,00,000 Equity shares of Rs. 10/- each ranking pari – passu with the existing Equity Shares of the Company."

6. To consider and if thought fit, to pass, with or without modification, the following Resolution, as a Special Resolution:

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and by substituting the following clause in its place as new Clause V:

The Authorised Share Capital of the Company is Rs. 15,01,00,000 (Rupees fifteen Crores one lac only) divided into 1,50,10,000 (one Crore fifty lacs and ten thousand only) Equity Shares of Rs. 10/- (Rupees ten only) each.

The Company has power from time to time to increase, reduce, subdivide, consolidate, the capital and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential or special rights and privileges, conditions or priorities of dividends or distribution of assets or otherwise over any other shares and to vary, modify or abrogate any such rights, privileges or conditions in such manner, as may for the time being, be deemed fit and as may be provided in the regulations of the Company in accordance with the provisions of the Companies Act, 1956.

7. To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81 read with sub section (IA) thereof and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment's thereof for the time being in force) and subject to all necessary approvals, consents, permissions and/or sanction of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Ministry of Finance, Govt. of India and other Institutions or statutory bodies and subject to such prevailing guidelines of SEBI and further

subject to conditions as may be prescribed by them in granting such approval, consent, permission or sanction, if any required, the Board of Directors (herein referred to as "The Board" which terms shall be deemed to include any committee referred to herein below) and any duly authorised committee thereof for the time being exercising the powers conferred on the Board by this resolution, be and is hereby authorised on behalf of the Company to issue and allot, at any time and from time to time, in one or more tranches from the unissued Capital of the Company, further capital by way of partly, wholly or by a combination of Equity Shares, with or without Detachable Warrants with a right exercisable by the warrant holders to subscribe to Equity Shares and / or any other suitable instruments (hereinafter referred to as 'Securities') upto an amount not exceeding Rs. 15,00,00,000/- (Rupees Fifteen Crores) in the aggregate, including premium if any, and on such terms as the Board may think proper at an appropriate time including premium on issue or conversion, by way of a Rights / Public issue, to the shareholders, Bodies Corporate, Financial Institutions, Banks, Mutual Funds or any other person or persons whether he/they be a member(s) of the company or not including but not limited to the Non-Resident Indians, Foreign Financial Institutions (FII)s in consultation with the Lead Managers, Underwriters,

Advisors, Issue Managers, Bankers or such other agencies concerned, on the footing that such Equity Shares in the Company shall rank pari – passu with the existing Equity Shares of the Company save and except that they shall participate in the dividend, if any, from the date on which they are allotted on prorata basis".

"RESOLVED FURTHER THAT such of the securities to be issued as are not subscribed to may be disposed off by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion deem fit."

"FURTHER RESOLVED THAT for the purpose for giving effect to any issue or allotment of equity shares as aforesaid, the Board be and is hereby authorised on behalf of the Company to do all such acts, deed, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise with regard to any such issue or allotment at its absolute discretion as it may deem fit without being required to obtain any further approval or consent of the members or otherwise, to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution".

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By order of the Board of Directors

Place: Hyderabad.

Date : 02.09.2005

S.B CHACHAN  
CHAIRMAN

#### NOTES:

- i. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies to be effective must be received by the Company not less than 48 hours before the Commencement of the meeting.
- ii. Members who hold shares in dematerialised form are requested to bring Their Client ID and DPID numbers for easy identification of attendance at the meeting.
- iii. The Register of Members and Share Transfer Books of the Company will remain closed from 28<sup>th</sup> September, 2005 to 30<sup>th</sup> September, 2005 (both days inclusive).
- iv. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate to the Company.

**EXPLANATORY STATEMENT**

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

**Item Nos. 5 & 6**

The Company is operating with Authorised Share Capital of Rs. 5,01,00,000/- divided into 50,10,000 Equity shares of Rs. 10/- each. In view of Company's plans to expand the business operations and to augment the long term financial resources, it is considered proper to raise further capital. Hence it is necessary to increase the Authorised Share capital by creation of further 1,00,00,000 Equity shares of Rs. 10/- each. The increased Authorised Share Capital of the Company shall be Rs. 15,01,00,000/- (Rupees Fifteen crores one lac only) divided into 1,50,10,000 Equity shares of Rs. 10/- each.

The resolution in item no 6 is consequential to resolution in item no 5 in respect of alteration of capital clause of Memorandum of Association of the Company.

The resolution is accordingly recommended by the Board of Directors of the Company.

None of the Directors of the Company, is in any way concerned or interested in the resolution in Item nos. 5 and 6.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**ITEM NO. 7**

With a view to augment the long term financial resources and also to meet the requirements of funds to part finance the capacity enhancement by a Balancing Scheme, modernization, diversification schemes proposed to be undertaken by the Company and in order to make the operations more competitive in terms of size, technology and cost, the Company plans to raise funds by further issue of capital to an amount not exceeding Rs. 15 crores in aggregate including premium to such persons in one or more tranches and in the manner mentioned in the resolution.

Under Section 81(1A) of the Companies Act, 1956, wherever it is proposed to increase the subscribed capital of the Company by allotment of further shares, such further shares are required to be offered to the existing Equity Shareholder of the Company by way of rights unless the Company in General Meeting approves by means of a Special Resolution under sub-section (1A) of the said Section; the offer, issue and allotment of the Shares of the Company to others in any other manner.

The Special Resolution at item 7 seeks to provide enabling authority to the Board of Directors of the Company to issue securities in one or more tranches, as mentioned in the resolution.

The resolution is accordingly recommended for approval of the members by means of a Special Resolution.

None of the directors may be deemed to be concerned or interested in the Resolution except to the extent of Equity Shares or other securities if any, that may be subscribed to by them or by the Companies/institutions in which they are Directors, nominees or members.

By order of the Board of Directors

Place: Hyderabad.

S.B CHACHAN  
CHAIRMAN

Date : 02.09.2005

**DIRECTORS' REPORT**

To  
**The Members of Aditya Ispat Limited,**  
 Hyderabad

Your Directors take pleasure in presenting the Fourteenth Annual Report on the affairs of the Company for the financial year 2004-2005 together with the Audited Financial Statements and Report of the Auditors thereon.

**BUSINESS PERFORMANCE:****Financial Results:**

The overall performance of the Company for the financial year 2004-05 is summarised as under:

			( Rs. in Lakhs)
S.No.	Particulars	2004-2005	2003-2004
1.	Sales ( Gross)	439.86	307.76
	Less : Excise Duty	6.58	30.32
	Sales ( Net)	433.28	277.44
2.	Other Income	14.63	11.15
	Total Revenue	447.91	288.59
3.	Gross Profit before Interest, Depreciation, Preliminary & Public Issue exp. & taxation	15.22	11.40
4.	Interest	1.16	3.31
5.	Depreciation	7.44	5.47
6.	Preliminary & Public Issue Exp. W/Off	3.39	3.39
7.	Profit before tax	3.23	(0.77)
	Less: Provision for current tax	0.25	0.38
	Less : Provision for Deferred Tax	(10.16)	0.39
	Net Profit(loss) after tax	13.14	(1.54)
	Add: Balance from previous year	9.80	11.34
	Surplus carried to Balance Sheet	22.94	9.80

**BUSINESS REVIEW**

During the year 2004-05, the Company has posted a turnover of Rs 439.86 lakhs as against Rs. 307.76 lakhs in previous year and has earned a net profit of Rs. 3.23 lacs as against previous year's loss of Rs. 0.77 lakhs. Due to the inadequate profits, the Board has not recommended any dividend nor any transfer to reserves.

**FUTURE OUTLOOK:**

The Steel industry has seen a large demand being created due to several Government infrastructure initiatives after a slump of almost five years and all the major players have shown encouraging results. The Company has also witnessed a spurt in demand in the financial year but could not capitalise on the same due to lower outputs. This has

prompted the Management to increase the capacity and the work was started for capacity expansion which is nearing completion. This will give the Company an edge over smaller players in consolidating its position. The smaller players in unorganized sector have continued to sledge prices to compete with the organized sector which has resulted into lower profits to the sector and also to the Company.

**FINANCIAL RESOURCES :**

The Board has placed relevant resolution before the members to augment the long term financial resources by way of further issue of shares / securities to be able to expand to different areas by creating additional capacities.

**DIRECTORS:**

Shri S.B. Chachan and Shri Swamy S.B. Das retire by rotation and being eligible offer themselves for reappointment. The Board recommends their reappointment.

During the year under review, there has been no change in the Directors.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

- i) That the accounting standards to the extent applicable to the Company have been followed in the preparation of the annual accounts. There are no material departures there from.
- ii) That the accounting policies selected by the Board for the purpose of preparation and presentation of the financial statements have been and are being applied consistently and reasonable and prudent judgments and estimates ( wherever applicable) have been made for the said purpose, so as to give a true and fair view of the affairs of the Company as at the end of the financial year under review and of the profit and loss for the said year.
- 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 your company and for preventing and detecting fraud and other irregularities.
- iv) That the annual Accounts have been prepared on a going concern basis.

**AUDITORS:**

M/s. Dagliya & Company, Chartered Accountants, Secunderabad, the Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Board recommends their reappointment. The observations of the Auditors read with the Notes on Accounts are self explanatory and do not require any comments from the Directors.

**LISTING :**

The shares of your company are listed on Mumbai, Kolkata and Hyderabad Stock Exchanges.

**EMPLOYEES:**

There are no employees whose particulars are required to be disclosed pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

**FIXED DEPOSITS:**

During the year under review, the company has not accepted any deposits under Section 58A of the Companies Act 1956 read with Companies ( Acceptance of Deposits) Rules, 1975.

**CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN**

**EXCHANGE EARNINGS AND OUTGO:**

Information regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and outgo in accordance with Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, forming part of the Directors Report for the year ended 31<sup>st</sup> March, 2005 is as follows:

1. Conservation of Energy : The company's operations require low energy consumption. Adequate measures are taken to conserve energy wherever possible. The details required are attached herewith.
2. Technology Absorption:
  - a. Research & Development  
There is no specific Research and Development activity carried out by the Company during the year.
  - b. Technology Absorption  
NIL
3. Foreign Exchange Earning and Outgo  
NIL

**CORPORATE GOVERNANCE:**

The company has implemented the Code for Corporate Governance as stipulated under Clause 49 of the Listing Agreement. A separate report on Corporate Governance is annexed to this report.

**DEMATERIALISATION OF SHARES:**

M/s. X.L. Softech Services Limited, Hyderabad were appointed as Depository Registrars for dematerialization of shares and for physical shares also the transfer work was entrusted to them.

The ISIN of dematerialized share of the Company allotted by NSDL and CDSL is "INE...S70801012."

**ACKNOWLEDGEMENTS:**

The Board takes this opportunity to express its deep gratitude for the continued co-operation and support received from its Bankers, State and Central Governments, the customers, share holders, business associates and employees during the year under review.

On behalf of the Board of Directors

Place: Hyderabad.  
Date : 02.09.2005

**S.B CHACHAN**  
CHAIRMAN



**ANNEXURE - A TO THE DIRECTOR'S REPORT****CONSERVATION OF ENERGY, TECHNOLOGY & FOREIGN EXCHANGE**

Information required under section 217(1)(e) of the Companies Act, 1956 read the Companies (disclosure) of particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters.

	for the year ended 31.03.05	for the year ended 31.03.04
<b>CONSERVATION OF ENERGY</b>		
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
a. Purchased		
Units	39367	23829
Amount (Rs.)	226077	183369
Rate per Unit (average)(Rs.)	5.74	7.69
b. Own Generator		
i. Through diesel Generator		
Units	Nil	Nil
Units per litre of Diesel	Nil	Nil
Cost per Unit	Nil	Nil
ii. Through Steam turbine/generator		
Units	Nil	Nil
Units per litre of fuel Oil/Gas	Nil	Nil
Cost per Unit	Nil	Nil
<b>2. COAL (Specify quality and where used)</b>		
Quantity (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil
<b>3. FURNACE OIL</b>		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate Per Unit	Nil	Nil
<b>4. OTHERS/INTERNAL GENERATION</b>		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate Per Unit	Nil	Nil
<b>5. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Production (Units) (MT)	1359.418	1146.297
Electricity (Rs)	166.30	159.97
Coal	Nil	Nil
Furnace Oil	Nil	Nil
Others	Nil	Nil

for and behalf of the Board of Directors.

Place : Hyderabad  
Date : 02-09-2005

(S.B.CHACHAN)  
Chairman

**ANNEXURE - B****A. INDUSTRY STRUCTURE AND DEVELOPMENTS :**

AIL is a leading manufacturer of Bright Bars at Hyderabad and has produced 1359.418 Tons of Bright Bars during the year under review.

**B. OUTLOOK – GLOBAL STEEL INDUSTRY**

Globally, the steel industry is buoyed by rising demand due to revival of manufacturing sector in industry across the board for industrial and domestic goods. This coupled with Government initiatives in development of infrastructure has generated increased demand leading to firming up of prices. There has been substantial increase in Steel exports from India due to heavy demand from China for building up Olympic Games facilities under progress.

There have been price corrections but the buoyancy has been maintained and is expected to continue for the FY 2005-2006. The Indian economy is also witnessing the surge in demand with growth targets of 8% in GDP which the Company also expects to capitalise with increased capacity.

**C. OPPORTUNITIES & THREATS****OPPORTUNITIES:**

- The Company's core competence in manufacture of Bright Bars instills various advantages in maintaining its leadership in local markets.
- With additional capacities to start production in current year, the revenues are likely to improve significantly.
- Demand fuelled by growth can be capitalized by spreading the areas of operations into other parts of the country.

**THREATS:**

- The Company's dependence on public sector Steel companies for raw material and increase in prices by them have posed threat to the bottom line of the Company in the past and continues to be so. Efforts to develop alternative sources are proving costlier for the company.
- Due to lower realisations, the company continues to suffer with lower accruals for meeting increased working capital which is expected to continue since Bankers in India have continued to follow conservative attitudes for finance.

**D. RISKS & CONCERNS :**

- The expected growth rate of Indian economy may be an ambitious target with Government facing severe Budget deficits leaving little room for infrastructure growth.
- Dynamic pricing of steel products have loomed large on the Company's pricing policy thereby reducing margins. The efforts for cost reduction are likely to bring some benefits in the current year.

**E. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY :**

The Company has adequate internal control procedures with all safeguards for protection of assets and that all transactions are authorized, reported and recorded properly. The internal control procedures are stem from continuous perusal of records and procedures by the Internal Auditors and the Audit Committee of Directors who meet regularly. There are adequate Budgetary control mechanism established and practiced by the Company.

**F. FINANCIAL POSITION**

- The Company has generated sales of Rs. 433.27 lacs from manufacturing and trading revenues which is higher than last fiscal. The trend is expected to continue in current fiscal with increased capacity and newer geographical areas of operations.