

# **18<sup>th</sup> annual report**

**FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2004**

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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*

**AUDITORS :**

A Pradhan & Associates  
*Chartered Accountants*  
2D, Panditla 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 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, Gamharla  
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.  
C-444, Bagree Market,  
71, B.R.B.B. Road, Kolkata-700 001  
Ph. No. (033) 2235 7271/2234/3576  
Fax : 22156813  
E-mail : nichetech@vsnl.net

## NOTICE

Notice is hereby given that the 18th 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 27th September, 2004 at 10.00 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, 2004 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. P.M. Agarwal and Mr. Yudhbir Chhibbar who retire by rotation and being eligible offer themselves for re-appointment.
3. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

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

#### Special Resolution

"Resolved That pursuant to the provisions of Sections 198, 269, 309, 310 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required, consent of the Company be and is hereby accorded to the re-appointment and payment of remuneration to Mr. Dalbir Chhibbar as Managing Director of the Company for a period of 5 years with effect from 17-05-2004 on the terms and conditions as set out briefly here below with liberty to the Board of Directors to alter and or vary the said terms and conditions within the limits specified in Schedule XIII to the said Act or any Statutory modifications or re-enactments thereof from time to time :

#### (A) REMUNERATION :

- (a) Salary : @ Rs.15000/- per month which shall increase by upto 25% every year.
- (b) Perquisites : Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount equal to Annual Salary. Perquisites shall be classified as follows:
  1. Reimbursement of actual medical expenses incurred including hospitalization, nursing home and surgical charges for self and family.
  2. Leave travel Concession : Leave Travel Concession once in a year in respect of self and family not exceeding one month's salary.
  3. Leave : Leave with full pay or encashment thereof as per the rules of the company.

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4. Club fees : Payment of Club fees and expenses subject to a maximum of two clubs. This will not include admission and life membership fees.
5. Gas, Electricity and Water at his residence.
6. Telephone at residence.
7. Car : Provision of Company's Car with Driver.
8. Personal Accident Insurance: Personal accident policy of such amount as may be decided by the Board of Directors, premium of which shall not exceed Rs. 20000/- per annum.
9. Contribution to Provident Fund / Superannuation Fund / Annuity Fund : Company's contribution to Provident Fund and Superannuation or Annuity fund not exceeding 30% of salary in aggregate.
10. Gratuity : Gratuity at the rate of half month's salary for each completed year of service.
11. Other perquisites : Subject to overall ceiling on remuneration mentioned here below, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such Rule, the same shall be evaluated at actual cost.

**(B) Overall Remuneration**

The aggregate of salary and perquisites on any financial year shall not exceed the limits prescribed from time to time u/s 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may be in force for the time being.

**(C) Minimum Remuneration**

In the event of loss, absence or inadequacy of profits in any Financial year during the currency of tenure of Mr. D. Chhibbar as Managing Director, the remuneration aforesaid shall be the minimum remuneration payable to him as per the provisions of Schedule XIII.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary or desirable to give effect to this Resolution."

Place : Kolkata

Dated : 10th June, 2004

By order of the Board

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

**Puranmal Agarwal**  
Chairman

**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. An explanatory statement as required u/s 173 of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
3. The Register of Members of the Company will remain closed from Monday the 20th September, 2004 to 27th September, 2004 (both days inclusive).
4. Shareholders/Proxy holders are requested to produce at the entrance the attached admission slip duly completed and signed, for admission to the meeting place.
5. Members are requested to bring their copy of the Annual Report to the Annual General meeting.
6. Members are requested to notify immediately any change in their address to the Company or to its share transfer Agents/Registrars.
7. 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.
8. 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.
9. Pursuant to Section 205 A (5) of the Companies Act, 1956 as amended by the Companies (Amendment) Act 1999, all the amounts transferred to the unpaid Dividend Account of the Company in pursuance of Section 205A(1) and the Application money which was unclaimed for a period of 7 years has been duly transferred to the Investor Education and Protection Fund.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.****Item No. 4**

Mr. Dalbir Chhibbar was appointed as the Managing Director of the Company for a period of 5 years and the said term expired on 16.05.2004. The Board of Directors of your Company have decided, subject to your approval by Special Resolution, to reappoint Mr. Chhibbar for a further period of 5 years with effect from 17.05.2004 on the terms and conditions including salary and perquisites as mentioned in the resolution.

Mr. Chhibbar is a Chartered Accountant. He is a very senior professional and has adequate experience in trade as well as industry. The Company has made excellent performance on all counts under the able guidance of Mr. Chhibbar and his continuance, as Managing Director will be in the best interest of the Company.

The Board recommends passing of the subject resolution as the same is in the interest of the Company.

Mr. Dalbir Chhibbar is interested in the resolution. Mr. Yudhbir Chhibbar being a relative may also be deemed to be concerned or interested in the resolution.

The terms as set out in the resolution may also be treated as an abstract of the terms of appointment and memorandum of interest of Director(s) as required u/s 302 of the Companies Act, 1956.

Place : Kolkata

Dated : 10th June, 2004

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

Suit No. 506, Kolkata-700 069

By order of the Board

**Puranmal Agarwal**  
Chairman

**ASHIRWAD STEELS & INDUSTRIES LTD.****DIRECTOR'S REPORT TO THE SHAREHOLDERS**

Your Directors present their 18th Annual Report and Audited Statement of Accounts of your Company together with Auditors Report for the year ended 31st March 2004.

	Current year (31.3.2004) Rs.	Previous year (31.3.2003) Rs.
<b>FINANCIAL RESULTS :</b>		
Turnover/Income from Operations	38,76,44,568	23,64,62,122
Operating Profit before interest, Depreciation and Taxation	5,10,77,932	2,59,51,599
Depreciation	51,49,361	41,57,269
Financial Charges	1,13,93,406	60,05,623
Prior period expenses	—	9,653
Profit before Taxation	3,45,35,165	1,57,79,054
<b>Provision for Taxation :</b>		
Current Income Tax	49,43,000	21,30,338
Deferred Income Tax (See Note : 9)	47,78,385	22,81,926
Profit after Taxation	2,47,74,296	1,13,66,790
Add : Profit brought forward from last A/c.	1,69,80,227	1,06,13,437
Profit available for appropriation	4,17,54,523	2,19,80,227
Less : Transferred to General Reserve	1,00,00,000	50,00,000
<b>APPROPRIATIONS :</b>		
Balance Carried forward	3,17,54,523	1,69,80,227

**OPERATIONS & FINANCIAL PERFORMANCE :**

The Financial Performance of your Company during the year under review has been quite satisfactory. The income from operations/turnover stood at Rs. 38.76 crores (previous year Rs. 23.65 crores). During the year your company's Sponge Iron Plant at Jamshedpur produced 36442 M.T. (Previous year 35946 M.T.) of Sponge Iron as against installed capacity of 36000 M.T. per annum and the Sponge Iron Plant at Nalgonda, Andhra Pradesh produced 8771 M.T. (previous year Nil). The Company's RLH/LPG business from its Raigarh Plant is continuing despite competition and adverse factors. The Company's LPG Bottling Plant at Uluberia, Howrah, West Bengal, given under lease to M/s SHV Energy North East Ltd. is reported to be working satisfactorily and the lessees are paying the monthly lease rent on time. The operating profit before interest, depreciation and income tax for the year stood at Rs. 5.11 crores (previous year Rs. 2.60 crores). The net profit for the year was Rs. 247.74 Lacs (previous year Rs. 113.67 lacs). The Board of Directors of your Company are making all necessary efforts to further improve the performance of your Company.

**SPONGE IRON PROJECT**

During the year under review your Company successfully commissioned the first 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. during October, 2003. Due to some unavoidable reasons the Phase-II of the project with installed capacity of 30000 TPA was delayed and is now likely to commence production by the middle of July, 2004.

#### DIVIDEND

To conserve resources for the increased working capital requirements of the Company for both of its Sponge Iron Plants due to steep hike in the cost of raw materials, your Directors do not recommend any dividend for the year under review.

#### AUDITORS :

M/S A Pradhan & Associates, Chartered Accountants, were appointed as statutory auditor 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. P. M. Agarwal and Mr. Yudhbir Chhibbar retire by rotation from the Board and being eligible offer themselves for re-appointment. Mr. Dalbir Chhibbar, your Managing Director was re-appointed as Managing Director for a further period of five years in the Board Meeting held on 24.5.2004. His re-appointment will be subject to your confirmation at the ensuing Annual General Meeting.

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 Kolkata, Mumbai and Delhi Stock Exchanges. The Company has paid the annual listing fees for the financial year 2003-04. The Company has, however, initiated proceeding for de-listing of shares at Kolkata and Delhi Stock Exchanges as such listing is considered not necessary.

#### SHARE REGISTRARS & TRANSFER AGENTS :

Niche Technologies (P) Ltd. C-444, Bagree Market, 71, B.R.B.B. Road, Kolkata-700 001, Phone : 033 2235 7270 / 71, Fax : 033-22156813, E-mail : nichetech@vsnl.net

#### DEPOSITORY DETAILS :

1. Central Depository Services (India) Ltd. P. J. Towers (28th floor), Dalal Street, Mumbai-400 023, Ph. 022-22673333, Fax : 022-2267 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 dematerialisation.

#### 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.

**ASHIRWAD STEELS & INDUSTRIES LTD.****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 is very nominal as only bottling of Gas 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 for 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. 1,39,200/-

**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, 2004, 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, 2004 on a going concern basis.

**ACKNOWLEDGEMENT :**

Your Directors would like to express their grateful 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 : 10th June, 2004

For and on behalf of the Board

**Dalbir Chhibbar**  
Managing Director.



## 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 2003-2004	Previous Year 2002-2003
1	<b>Electricity :</b>		
	(a) Purchased		
	Units	11,38,137	5,65,691
	Total amount (Rupees)	53,10,068	27,63,744
	Rate/Unit (Rupees)	4.67	4.89
	(b) Own generation (D. G. Set)		
	Units	1,04,335	3,89,640
	Cost/Unit	2.31	6.15

## Note :

The Company has not consumed or used furnace oil during the year under review. The Company's Sponge Iron Plant 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/BOTTLING OF GAS.

(i)	Units consumed per Metric Ton of Hydrocarbon Gas / L.P Gas bottled	26.97	25.00
(ii)	Units consumed per Metric Ton of Sponge Iron produced	25.00	16.00

## FORM-B

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION :

## 1. RESEARCH AND DEVELOPMENT :

The Company has not so far carried out any major Research & Development work. The Company shall however undertake 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, this 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 10th June, 2004

Dalbir Chhibbar  
Managing Director

**ASHIRWAD STEELS & INDUSTRIES LTD.****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****(a) Industry Structure and Developments :**

Business confidence continuously increased through 2003-04 as projections of growth of the Indian economy were progressively scaled up from 6% at the start of the year to over 8%. In a developing economy like India, demand for steel is strongly co-related with growth in industrial production. During the year under review, domestic finished steel production increased by 8% and apparent consumption of steel increased by about 6.5% over the previous year.

Your company being manufacturer of basic raw material i.e sponge iron, benefited by this increase in demand for the finished product.

During the year under review your company successfully commissioned the first phase of the Sponge Iron Plant at vil. & PO Veliminedu, Mandal-Chityal, Dist. Nalgonda, Andhra Pradesh with an annual installed capacity of 30000 MT during October 2003. Due to some unavoidable reasons the Phase-II of the project with installed capacity of 30000 TPA was delayed and is now likely to commence production by the middle of July 2004.

**(b) Opportunities and Threats :**

Though the demand for sponge iron witnessed an increase there was also an increase in the prices of raw material. There was a steep increase in the prices of important 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 two years.

**(c) Segment-wise Product-wise performance:**

Your company has identified 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 :**

The global economy is firming up which is indicative of another year of strong demand for steel. The domestic steel industry is poised for strong growth as the economic and industrial outlook is on an upswing and the thrust on infrastructure development continues. Domestic demand for steel is expected to grow at about 6% in the current year. However some intermediate correction is possible. The outlook for the current year looks fairly good, barring unforeseen circumstances.

**(e) Risks & Concerns :**

Risk is inherent in business activity, particularly in steel industry. 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.

Changes in government policy, laws of the land, increases in cost of inputs like coal, petrol, diesel, etc. may also affect the profitability of the Company.