

ANNUAL REPORT

1998 - 99

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BSIL

BIHAR SPONGE IRON LIMITED

Board Of Directors

Mr. Vimal Kirti Singh, IAS	Chairman
Mr. Umesh K. Modi	Vice Chairman & Managing Director
Mr. G.S. Kang, IAS	
Dr. Walter Schlebusch	
Mr. Turan Caglayan	
Mr. G.F. Grote	
Mr. K. K. Jain	
Mr. R.K. Bansal	
Mr. P. R. Latey	
Mr. R.K. Chavali	Nominee-IFCI
Dr. S. S. Sidhu	Nominee-IDBI
Mr. N. B. Gunjekar	Nominee-LIC
Mr. G. K. Sharma	Nominee-BIFR

Alternate Directors

Mr. J. B. Dadachanji	(To Dr. Walter Schlebusch)
Mr. P. N. Mehta	(To Mr. G.F. Grote)
Mr. K. Benz	(To Mr. Turan Caglayan)

Company Secretary

Mr. Rakesh Bhatia

Statutory Auditors

M/s. Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
212, Deen Dayal Marg, New Delhi - 110 002.

Management Committee

Mr. Umesh K. Modi	Chairman
Mr. R. K. Chavali	Nominee- IFCI
Nominee of Lurgi	(To be appointed)
Nominee of DEG	(To be appointed)
Nominee of BSIDC	(To be appointed)

Audit Sub-Committee

Mr. K. K. Jain	Chairman
Mr. R.K. Bansal	
Mr. R.K. Chavali	Nominee- IFCI

Registered Office & Plant Site

P.O. Chandil, Dist.Singhbhum, Bihar-832 401

Head Office

1400, Hemkunt Tower, 98, Nehru Place, New Delhi-110019.

Bankers

Allahabad Bank* Andhra Bank* Canara Bank*
State Bank of Patiala* UCO Bank* Union Bank of India

Registrars and Share Transfer Agents

Fintech Compu System Ltd., WZ-1390/4, IIIrd floor, Nangal Rai,
Near 'D' Block Janakpuri Bus Stand, New Delhi - 110046.

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BIHAR SPONGE IRON LTD.

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Bihar Sponge Iron Ltd. will be held on Tuesday, 14th September, 1999 at 4.00 p.m. at the Registered Office of the Company at Chandil, District Singhbhum, Bihar to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P. R. Latey who retires from office by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Walter Schlebusch who retires from office by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration. M/s Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the relevant provisions of the Articles of Association of the Company and of the Companies Act, 1956, Mr. Turan Caglayan be and is hereby elected and appointed as a Director of the Company, liable to retirement by rotation."

BY ORDER OF THE BOARD



[RAKESH BHATIA]

COMPANY SECRETARY

Place : New Delhi

Dated : 30th July, 1999

NOTES:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Such proxies duly completed should reach the Registered Office of the Company atleast 48 hours before the time fixed for the meeting.
2. Register of Members and Share Transfer Books of the Company will remain closed from Friday, 10th September, 1999 to Saturday, 11th September, 1999 both days inclusive in terms of provisions of Section 154 of the Companies Act, 1956.

3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item no.5 is annexed hereto.
4. Members desiring any information as regards to accounts, are requested to address their questions to the Secretary of the Company atleast 7 days before the date of the Meeting so that the required information is made available at the Meeting.
5. The members are requested to intimate to the Registrar and Transfer Agent, M/s Fintech Compu Systems Limited, WZ-1390/4, IIIrd floor, Nangal Rai, Near 'D' Block Janakpuri Bus Stand, New Delhi 110 046, change of address, if any, at the earliest quoting their Registered Folio Number.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**ITEM NO.5**

Mr. Turan Caglayan, a nominee of DEG was appointed as Director of the Company, at the Board Meeting held on 30th July, 1999, to fill the casual vacancy caused by resignation of Mr. Klaus Heidenreich. In terms of Article 100 of the Articles of Association of the Company and pursuant to Section 262 of the Companies Act, 1956, Mr. Turan Caglayan holds office as Director only upto the date up to which Mr. Klaus Heidenreich in whose place he was appointed would have held office i.e. upto the date of ensuing Annual General Meeting. Notice has been received from a Member under Section 257 of the Companies Act, 1956 alongwith deposit of Rs. 500/- proposing Mr. Turan Caglayan's candidature for the office of a Director liable to retire by rotation.

The Directors accordingly recommend the resolution for the approval of the shareholders. None of the Directors of the Company except Mr. Turan Caglayan is deemed to be interested in this resolution.

BY ORDER OF THE BOARD



[RAKESH BHATIA]

COMPANY SECRETARY

Place : New Delhi

Dated : 30th July, 1999

BSIL

BIHAR SPONGE IRON LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1999.

Financial Results

			(Rs. in Lacs)
	1998-99		1997-98
Sales and other Income	7458.75		9539.66
Profit / (Loss) before Depreciation ,			
Interest & Income Tax	(281.78)		1693.51
Depreciation	1048.02		1002.08
Interest			
- Simple interest	1793.65	1624.11	
- Penal interest	2445.59	1619.33	3243.44
Loss for the year	5569.04		2552.01

OPERATIONS

Your company has recorded production of 1,34,192 MT of Sponge Iron in 286 operating days during the year under review as compared to 1,48,100 MT during the previous year in 305 operating days. The capacity utilisation has been approximately 90% as against 99% of the previous year.

The plant operation continued to be high during the year under review, even though the plant needed to be shutdown for carrying out major repair/maintenance work. The Company is, however, expecting that the plant operation is to improve further in future.

PRESENT MARKET SCENARIO

As reported in the previous year, Sponge Iron being an import substitute of Steel Melting Scrap, its prices are governed by the landed cost of Imported Shredded Scrap. Due to severe recessionary trend, the prices of landed imported scrap registered a substantial fall which resulted in drop in prices of domestic Sponge Iron.

However, due to price increase in the international market of imported scrap, as a result, price realisation of sponge iron has improved significantly.

It is expected that the current trend will continue for some more time before the prices are stabilised at a realistic level.

BIFR REFERENCE

As reported in the previous year, the Board for Industrial and Financial Reconstruction (BIFR) vide its letter dated 3rd April, 1998 circulated the Draft Rehabilitation Scheme and invited comments of all the interested parties. Meanwhile The Bihar Sponge Iron Karamchari Sangh has obtained a stay order from Ranchi Bench of Hon'ble Patna High Court whereby BIFR and IFCI have been restrained from proceeding further in the matter.

FIXED DEPOSITS

The Company has neither invited nor accepted or renewed deposits from the public within the meaning of Section 58A of the Companies Act, 1956, during the year under review.

BOARD OF DIRECTORS

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors :

The IFCI Ltd. has withdrawn its nomination of Mr. Debatosh Ray as Director w.e.f. 7th June, 1999 and has nominated Mr. R. K. Chavali as Director of the Company.

Consequent upon his resignation, Mr. Klaus Hedieneich has ceased to be Director w.e.f. 27th July, 1999. DEG has nominated Mr. Turan Caglayan as Director of the Company in place of Mr. Klaus Hedieneich. Pursuant to Section 262 of the Companies Act, 1956, Mr. Turan Caglayan will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

Consequent upon his resignation, Mr. S. Swarup ceased to be a Director with effect from 25th January, 1999.

The Board places on record its deep sense of appreciation for the wise Counsal, valuable guidance and Co-operation extended by Mr. Debatosh Ray, Mr. S. Swarup and Mr. Klaus Heidenreich during their tenure of the Directorship.

The Board of Directors in their meeting held on 23rd April, 1999 appointed Mr. R. K. Bansal as Director of the Company in the casual vacancy caused by resignation of Mr. S. Swarup.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. P. R. Latey and Dr. Walter Schlebusch retire by rotation and are eligible for reappointment.

AUDITORS

M/s Thakur, Vaidyanath Aiyar and Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'A' and forms part of this Report.

ACCOUNTS AND AUDIT REPORT

With reference to the qualifications contained in the Auditors' Report, the Directors wish to state that the Notes on Accounts and significant Accounting Policies referred to by the Auditors in their Report are self explanatory.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A statement giving details of conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo in accordance with the above Rules is annexed hereto as Annexure 'B' and forms part of this Report.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to offer their sincere thanks to various departments of Central Government, Government of Bihar, Financial Institutions and Banks for their valuable assistance. Equally your Directors acknowledge the trust and confidence reposed by you in the Company.

The Directors also place on record their appreciation of the dedication and commitment of the employees at all levels.

For and on behalf of the Board

Place: New Delhi
Dated : 30th July, 1999

[VIMAL KIRTI SINGH]
CHAIRMAN

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BIHAR SPONGE IRON LTD.

ANNEXURE 'A':

Particulars of Employees as per Section 217 (2A) of the Companies Act 1956, for the year ended 31st March, 1999.

Sl No	Name	Designation	Age	Gross Remuneration	Qualification	Experience (years)	Dt of commencement of employment	Last Employment before joining the company
A. EMPLOYED THROUGHOUT THE YEAR : NIL								
B. EMPLOYED FOR PART OF THE YEAR:								
1.	Gupta S.C	Vice President (Commercial)	62	264581	M.Com	30	19.09.92	G.M.(Comm) Modi Ind. Limited
2.	Sheshadri M.K.	Chief Manager (Tech & Q.C.)	38	257971	M.Sc. (Mineral Processing)	12	02.05.88	Supervisor Bharuka Steels Ltd.

Notes: Nature of appointment of all employees is non contractual. Other terms and conditions as per Company rules/schemes. None of the employees named above is relative of any Director of the company. Remuneration as shown above includes salary, Company's contribution to Provident Fund, house rent allowance, leave travel facilities, reimbursement of medical expenses, ex-gratia payments actual, leave encashment, gratuity and value of other facilities as per Income Tax Rules.

ANNEXURE - B

Conservation of Energy

Priority is continued to be accorded to the matter of closely monitoring the consumption of coal and power with the objective of conservation of energy.

The steps being taken/ to be taken to achieve the objective include

- Optimisation of process operating parameters
- Efforts to find the most beneficial use for all size fractions of coal received in order to minimise rejections/wastages.
- Disposal through sale of all waste products for ultimate use as domestic fuel.
- Maintaining an active programme of avoiding wastage of electric power.
- Installation of double roll crusher to avoid wastage of coal
- Installation of Hand picking plant for improving coal quality.

FORM B

Research and Development (R & D)

1. Specific areas in which R & D is carried out by the company.
 - Identification of new coal sources
 - Testing and trial of indigenous refractories
 - Trials and establishing practice of fine ore injection
 - Installation of Jaw Crushers to homogenise the distribution of various size fractions in the feed.
 - Installation of new separate screening circuit for crushed ore to minimise losses of iron ore by recovering various fractions which can be used for injection and feed.
2. Benefits derived as a result of the above R & D
 - Reduction in refractory maintenance cost
 - Increase in Kiln production potential
 - Better product quality
 - Less possibility of Kiln accretion
 - Less screening losses.
3. Future plan of action
 - On site upgrading of coal quality

- On going study into suitability of raw materials
- Development of new sources for Iron Ore procurement
- 4. Expenditure on R & D
Approximately Rs. : 3.00 Lacs

Technology Absorption, Adaption & Innovation

1. Efforts in brief made towards technology absorption, adaption & innovation.
 - Technology transfer is almost complete and there is ongoing sharing of technical matters with Lurgi AG.
2. Benefits derived as a result of above efforts
 - This has given through innovation and trial the ability to focus attention on the needs for achieving optimum levels of capacity utilization
 - Ability to put attention on fine ore injection and build up confidence for injecting fines, which shall result in increased production and reduction in cost.

3. TECHNOLOGY IMPORTED

- (a) Lurgi SL / RN process for the direct reduction of Iron Ore in a rotary kiln.
- (b) Year of import 1986-89 (plant construction period)
- (c) Has the technology been fully absorbed ? - Yes
- (d) If not fully absorbed, areas where this has not been taken place, reasons thereof, and future plans of action N.A.

FOREIGN EXCHANGE EARNINGS & OUTGO

	1998-99 (Rs)	1997-98 (Rs)
1. EARNINGS	—	—
2. OUTGO		
a) Interest	—	2,67,66,800
b) Other Matters	1,94,627	5,22,585
c) Import on CIF basis		
Stores & Spares	2,30,144	5,41,524

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BIHAR SPONGE IRON LTD.

AUDITORS' REPORT:.

To The Members of

BIHAR SPONGE IRON LTD.

We have audited the attached Balance Sheet of BIHAR SPONGE IRON LTD. as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Attention is drawn to Note 12 Schedule 14 with regard to Year 2000 compliance, which is solely a management responsibility. Audit is neither intended nor designed to identify or detect problems that may result from Computer hardware, software or other automated processes' inability to properly process data related to year 2000. However, in the opinion of the management, the problem of Year 2000 will not vitiate the assumption of going concern.
3. Further to our comments in the said annexure referred in Paragraph 1 above, we state that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion proper books of accounts as required by Law have been kept by the Company so far as appear from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account and in our opinion comply with the applicable mandatory accounting standards.
 - (d) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the Accounting Policies and Notes thereon and subject to the consequential impact on the results for the year of, (i) Note No. 3 regarding treatment of Rs.264.19 lacs as loans and advances and (ii) Note No. 4 regarding amount due from a Company, considered good by the management and against which no provision is made, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) In the case of Balance Sheet, of the State of affairs of the Company as at 31st March, 1999 and
 - (ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date.

for **THAKUR, VAIDYANATH AIYAR & CO.**

Chartered Accountants

Place : New Delhi,

Dated : 30th July, 1999

(**M. P. THAKUR**)

PARTNER

Annexure

Referred in Paragraph 1 of our report of even date.

- i) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. We are informed that some of the fixed assets in accordance with the policy of verifying the fixed assets over the cycle of three years were physically verified at the end of the year, and no discrepancies were noticed on such verification.
- ii) None of the fixed assets have been revalued during the year. Some of the fixed assets, namely, lease hold land, buildings, plant & machinery and railway sidings, had been revalued at their current replacement values on the basis of a valuation done by a chartered valuer during the year ended 31st March, 1996. The difference arising on revaluation (Rs.3680.01 lacs) has been separately disclosed in the Balance Sheet.
- iii) Raw Material, finished goods and most of the stores and spares (except lying at Customs Port Trust) were physically verified during the year. In our opinion, the frequency of physical verification is reasonable. The