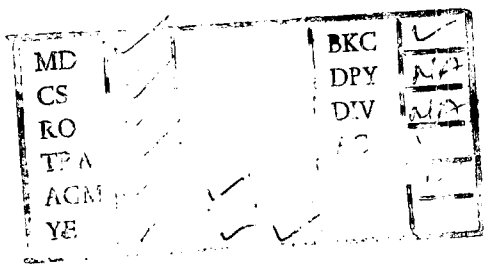
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ANNUAL REPORT

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BSIL

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Board of Directors

Mr. K. N. Prasad	Chairman
Mr. Umesh K. Modi	Vice Chairman & Managing Director
Mr. T. Nandakumar	
Dr. Walter Schlebusch	
Mr. Klaus Heidenreich	
Mr. Vincent Kisker	
Mr. K. K. Jain	
Mr. S. Swarup	
Mr. P. R. Latey	
Mr. Debatosh Ray	Nominee-IFCI
Dr. S. S. Sidhu	Nominee-IDBI
Mr. N. B. Gunjikar	Nominee-LIC
Mr. G. K. Sharma	Nominee-BIFR

Alternate Directors

Mr. J. B. Dadachanji	(To Dr. Walter Schlebusch)
Mr. P. N. Mehta	(To Mr. Vincent Kisker)
Mr. K. Benz	(To Mr. Klaus Heidenreich)

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. Debatosh Ray	Nominee- IFCI
Nominee of Lurgi	(To be appointed)
Nominee of DEG	(To be appointed)
Nominee of BSIDC	(To be appointed)

Audit Sub-Committee

Mr. S. Swarup	Chairman
Mr. K. K. Jain	
Mr. Debatosh Ray	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

MCS Ltd. Sri Venkatesh Bhawan,
212A, Shahpur Jat (Behind Panchsheel Club)
New Delhi-110016

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NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Saturday, the 29th November, 1997 at 3.00 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 the audited Balance Sheet as at 31st March,1997 and Profit and Loss Account for the year ended 31st March,1997 and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Dr.Walter Schlebusch, who retires from office by rotation. but being eligible, offers himself for re-appointment.
3. 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.
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. T. Nandakumar be and is hereby elected and appointed as a Director of the Company, liable to retirement by rotation."

6. 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. Klaus Heidenreich be and is hereby elected and appointed as a Director of the Company, liable to retirement by rotation."

BY ORDER OF THE BOARD

Place : New Delhi
Dated : 24th September, 1997.

[RAKESH BHATIA]
COMPANY SECRETARY

NOTES

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself/ herself and such proxy(s) need not be a member.
2. Proxies should be lodged at the Company's Registered office at least 48 hours before the commencement of the Meeting.
3. Register of Members and Share Transfer Books of the Company remained close from 23rd September, 1997 to 30th September, 1997 (both days inclusive).
4. Members desiring any information as regards to accounts, are requested to address their questions to the Secretary of the Company at least 7 days before the date of the Meeting so that the required information is made available at the Meeting.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items no. 5 & 6 is enclosed herewith.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF SPECIAL BUSINESS.

ITEM NO.5

Mr. T. Nandakumar, a nominee of Bihar State Industrial Development Corporation Limited was appointed as Director of the Company at the Board Meeting held on 19th February, 1997 to fill the casual vacancy caused by withdrawal of nomination of Mr. R. C. A. Jain by BSIDC. In terms of Article 100 of the Articles of Association of the Company and pursuant to Section 262 of the Companies Act, 1956, Mr. T. Nandakumar holds office as Director only upto the date upto which Mr. R. C. A. Jain in whose place he was appointed would have held office i.e. upto the date of this 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. T. Nandakumar'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. T. Nandakumar is deemed to be interested in this resolution.

ITEM NO.6

Mr. Klaus Heidenreich, a nominee of DEG was appointed as Director of the Company at the Board Meeting held on 31st May, 1997 to fill the casual vacancy caused by withdrawal of nomination of Mr. Jan- Deiter Hulsebush by DEG. In terms of Article 100 of the Articles of Association of the Company and pursuant to Section 262 of the Companies Act, 1956, Mr. Klaus Heidenreich holds office as Director only upto the date upto which Mr. Jan-Dieter Hulsebush in whose place he was appointed would have held office i.e. upto the date of this 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. Klaus Heidenreich'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. Klaus Heidenreich is deemed to be interested in this resolution.

BY ORDER OF THE BOARD

Place : New Delhi
Dated : 24th September, 1997.

[RAKESH BHATIA]
COMPANY SECRETARY

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1997.

Financial Results (Rs. in Lacs)

		1996-97		1995-96
Sales and other Income		10493.03		9699.77
Profit before Interest, Income Tax and Depreciation		1826.19		1597.99
Depreciation		988.36		691.42
Interest				
-Simple interest	1841.66		1928.15	
-Penal interest	1417.35	3259.01	—	1928.15
Income Tax		0.17		—
Loss for the year before extra ordinary items		2421.35		1021.58
Extra Ordinary items				
-Iron Ore Cess	50.55			
-Power & Fuel	62.67			
-Penal Interest	2345.82			
-Depreciation	335.10			
-Water charges	25.67			
-New Project Expenditure	160.76	2980.57		—
Loss after the extra ordinary items		5401.92		1021.58

PRODUCTION

Your company has recorded an all time high production of 1,52,324 MT of Sponge Iron in 312 operating days during the year under review as compared to 1,35,373 MT during the previous year in 281 operating days. The capacity utilisation has been 101.50% as against 90.20% of the previous year. This has resulted in higher operating profit before interest for the year.

BIFR REFERENCE :

As reported in the previous year, the Company had made reference u/s 15(1) of The Sick Industrial Companies (Special Provisions) Act, 1985, to Board for Industrial and Financial Reconstruction (BIFR). BIFR declared the Company, a sick industrial company and appointed IFCI as the operating agency . The Company has submitted a rehabilitation proposal to the operating agency for preparing a rehabilitation scheme . As directed by BIFR, the Company has provided penal interest amounting to Rs.3763.17 lacs (including penal interest of Rs.2345.82 lacs upto 31st March, 1996).

FIXED DEPOSITS

Fixed Deposits by the company from the public aggregated to Rs.10,000 as on 31st March, 1997. There were no overdue Fixed Deposits on that date.

BOARD OF DIRECTORS

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

BSIDC has withdrawn its nomination of Mr. Shivraj Asthana as Chairman and Director w.e.f.22nd January, 1997 and has nominated Mr. K. N. Prasad as Chairman and Director of the Company. The Board places on record its sincere appreciation for the valuable guidance and assistance provided by Mr. Shivraj Asthana during his tenure as Chairman of the Company.

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BSIDC has also withdrawn its nomination of Mr. R.C.A.Jain w.e.f. 28th January, 1997 and has nominated Mr. T. Nandakumar as a Director of the Company.The Board places on record its sincere appreciation for the guidance and assistance provided by Mr. R. C. A. Jain during his tenure as a Director of the Company. Pursuant to Section 262 of the Companies Act,1956 Mr. T. Nandakumar will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

LIC has withdrawn its nomination of Mr. A. K. Ghosh w.e.f. 22nd July, 1997 and has nominated Mr. N. B. Gunjikar as Director.The Board places on record its sincere appreciation for the valuable guidance and assistance provided by Mr. A. K. Ghosh during his tenure as a Director of the Company.

Consequent upon his resignation, Mr. R. S. Lodha ceased to be a Director w.e.f 28th January, 1997. The Board places on record its sincere appreciation of the guidance and assistance provided by Mr. R. S. Lodha during his tenure as a Director of the Company.

Consequent upon his resignation, Mr. S.S. Nandurdikar ceased to be a Director w.e.f 22nd September, 1997. The Board places on record its sincere appreciation of the guidance and assistance provided by Mr. S.S. Nandurdikar during his tenure as a Director of the Company.

Consequent upon his resignation, Mr. Jan- Dieter Hulsebus ceased to be a Director with effect from 26th February, 1997. DEG has nominated Mr. Klaus Heidenreich as its nominee on the Board in place of Mr. Jan- Dieter Hulsebus. Pursuant to Section 262 of the Companies Act, 1956, Mr. Klaus Heidenreich will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.The Board places on record its sincere appreciation for the guidance and assistance provided by Mr. Jan- Dieter Hulsebus during his tenure as a Director of the Company.

Mr. G. K. Sharma was appointed as Director by Board for Industrial & Financial Reconstruction w.e.f 19th December, 1996.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr.Walter Schlebusch and Mr. P. R. Latey 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

The statement showing particulars of employees under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed hereto as 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 out go 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 : 24th September, 1997.

[K. N. PRASAD]
CHAIRMAN

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Annexure 'A' to the Directors' Report:

Particulars of the Employees as per Section 217 (2A) of the Companies Act, 1956 for the year ended 31st March, 1997.

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:								
1.	Agarwal S.L	Chief Mgr. (Fin. & Acts.)	52	3,37,564	B.Com,FCA	28	01.8.88	Mgr. Accounts Modi Ind.Limited
2.	Garg B. D.	Chief Executive	48	4,41,513	B.Sc Engg. (Elect)	25	16.5.89	Mgr.Purch.(R&M) Modi Ind. Limited
3.	Jaitely R.K.	Vice President (Per, Admn & Pub. Relations)	46	3,63,608	B.A	26	1.11.88	Admn. Officer Modi Ind. Limited
4.	Rustagi R.S.	Vice President (Finance)	56	3,86,173	B.Com FCA	32	2.7.92	G.M (Fin. & Accts) L M L Ltd.
B. EMPLOYED FOR PART OF THE YEAR:								
1.	Nayyar Champak	Advisor to M.D.	50	2,57,650	B.E. (Mech) MBA	31	11.3.95	Chief G. M. (Plant) Jamna Auto Ltd.
2.	Dhody Rakesh	Co.Secy.	42	2,44,702	B.Com.,LL.B. ACS	15	19.12.94	DGM &Co. Secy, Sidharth Spinfab 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 and value of other facilities as per Income Tax Rules.

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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

	1996-97 (RS)	1995-96 (RS.)
1. EARNINGS	-	-
Interest		
2. OUTGO		
a) Interest	**88,08,781**	2,78,27,749
b) Other Matters	**3,35,570**	13,21,059
c) Import on CIF Basis stores & spares	**2,32,299**	3,51,162

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