



ANNUAL REPORT

1997 - 98

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BSIL

BIHAR SPONGE IRON LIMITED

Board Of Directors

Mr. Vimal Kirti Singh	Chairman
Mr. Umesh K. Modi	Vice Chairman & Managing Director
Mr. G.S. Kang	
Dr. Walter Schlebusch	
Mr. Klaus Heidenreich	
Mr. G.F. Grote	
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. Gunjkar	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. 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

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 16th Annual General Meeting of the Members of Bihar Sponge Iron Ltd. will be held on Saturday, the 24th October, 1998 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, 1998 and Profit and Loss Account for the year ended 31st March, 1998 and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. K. K. Jain who retires from office by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Swarup 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. G.F. Grote 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. G.S. Kang be and is hereby elected and appointed as a Director of the Company, liable to retirement by rotation".

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

"RESOLVED THAT in accordance with the provisions of Section 269, 198, 309 read with Schedule XIII and other applicable provisions, if any,

of the Companies Act, 1956 and subject to the approval of the Financial Institutions and such other approvals as may be necessary, the Company hereby approves the reappointment of Mr. U. K. Modi as the Managing Director of the Company for a further period of 5 years with effect from 28th March, 1999 on the terms and conditions given below:

A) Salary	Rs.21,000/- per month
B) Perquisites	
i) Housing	Housing including Gas, Electricity, Water and furnishings.
ii) Medical	Expenses incurred for self and family subject to a ceiling of one month's salary per year or 3 months' salary over a period of 3 years.
iii) Leave Travel Concession	For self and family once in a year.
iv) Club Fees	Fees of Clubs subject to a maximum of two clubs.
v) Personal accident insurance premium and/or Group Insurance premium	As per Company policy. However, the payment of premium by the Company shall not exceed Rs.3000/- per annum.
vi) Provident Fund and Superannuation	Contributions to Provident Fund, Superannuation Fund will not be exceeding 27% of salary or as per ceiling fixed in the Income Tax Act.
vii) Gratuity	Half month salary for each completed year of service.

FURTHER RESOLVED THAT Board of Directors be and is hereby authorised to alter and vary the aforesaid terms as to remuneration including perquisites within the ceiling limits in that behalf laid down in Schedule XIII to the Companies Act, 1956, as in force from time to time.

FURTHER RESOLVED THAT Mr. S. Swarup and Mr. K. K. Jain, Directors of the Company be and are hereby authorised severally to finalise and execute the Agreement with Mr. U. K. Modi on behalf of the Company."

BY ORDER OF THE BOARD

[RAKESH BHATIA]

COMPANY SECRETARY

Place : New Delhi

Dated : 19th September, 1998

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BIHAR SPONGE IRON LTD.

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 the proxy(s) need not be a member. Such proxies duly completed should reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting. The proxy form is enclosed.
2. Register of Members and Share Transfer Books of the Company remained close from Wednesday, 16th September, 1998 to Wednesday 30th September, 1998 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 nos. 5, 6 & 7 are annexed hereto.
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. 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 110046, about 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. G. F. Grote, a Nominee of DEG was appointed as Director of the Company, at the Board Meeting held on 30th May, 1998 to fill the casual vacancy caused by withdrawal of Nomination of Mr Vincent Kisker by DEG. In terms of Articles 100 of the Articles of Association of the Company and pursuant to Section 262 of the Companies Act, 1956, Mr. G. F. Grote holds office as Director only upto the date upto which Mr. Vincent Kisker in whose place he was appointed would have held office i.e. upto the date of 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. G. F. Grote's candidature for the office of a Director liable to retire by rotation.

The Directors accordingly recommend the resolution for the approval of the Share Holders. None of the Directors of the Company except Mr. G. F. Grote is deemed to be interested in this resolution.

ITEM NO. 6

Mr. G. S. Kang, a Nominee of BSIDC was appointed as Director of the Company, at the Board Meeting held on 29th November, 1997 to fill the casual vacancy caused by withdrawal of Nomination of Mr. T. Nandakumar by BSIDC. In terms of Articles 100 of the Articles of Association of the Company and pursuant to Section 260 of the Companies Act, 1956, Mr. G. S. Kang holds office as Director only 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. G. S. Kang's candidature for the office of a Director liable to retire by rotation.

The Directors accordingly recommend the resolution for the approval of the Share Holders. None of the Directors of the Company except Mr. G. S. Kang is deemed to be interested in this resolution.

ITEM NO. 7

At the Annual General Meeting held on 14th September, 1994, the Shareholders had approved the re-appointment of Mr. U. K. Modi as Managing Director for a period of 5 years effective 28th March, 1994.

As the 5 years' term comes to an end on 27th March, 1999, it is proposed to re-appoint Mr. U. K. Modi as Managing Director of the company for a further period of 5 years from 28th March, 1999.

The Board of Directors considered that it will be in the best interest of the Company to avail itself the services of Mr. U. K. Modi as Managing Director. In view of the above, the Directors recommend for the approval of the Shareholders the resolution at item 7 of the Notice.

None of the Directors, except Mr. U. K. Modi is interested in the proposed Resolution.

BY ORDER OF THE BOARD



[RAKESH BHATIA]

COMPANY SECRETARY

Place : New Delhi

Dated : 19th September, 1998

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BIHAR. SPONGE IRON LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 16th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1998.

Financial Results

	(Rs. in Lacs)	
	1997-98	1996-97
Sales and other Income	9539.66	10493.03
Profit before Depreciation, Interest and Income Tax	1693.51	1826.19
Depreciation	1002.08	988.36
Profit after depreciation but before Interest and Income Tax	691.43	837.83
Interest		
– Simple interest	1624.11	1841.66
– Penal interest	1619.33	1417.35
Income Tax	—	0.17
Loss for the year before extra ordinary items	2552.01	2421.35
Extra ordinary items	—	2980.57
Loss after the extra ordinary items	2552.01	5401.92

PRODUCTION

Your Company has recorded production of 1,48,100 MT of Sponge Iron in 305 operating days during the year under review as compared to 1,52,324 MT during the previous year in 312 operating days. The capacity utilisation has been 98.73% as against 101.50% of the previous year. The lower production achieved by the company was due to closure of plant for 8 days due to ESP rectification to meet the requirement of pollution control which resulted in loss of production.

PRESENT MARKET SCENARIO

Sponge Iron is an import substitute of Steel Melting Scrap, particularly Imported Shredded Scrap. As such the selling price of Domestic Sponge Iron is governed by the landed cost of Imported Shredded Scrap. Due to world wide recession in metal, engineering, automobile industry and other heavy industry, the steel industry is passing through severe recessionary trend.

Apart from the world wide recession in metal and heavy engineering industry, the Indian Steel Industry in particular is passing through recessionary trend due to negligible construction as well as infrastructural developmental activities in our country resulting in drop in sales realisation.

The current recessionary trend is likely to continue for some more time.

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. BIFR vide its letter dated 3rd April, 1998 has circulated Draft Rehabilitation Scheme and invited comments of all the interested parties. Since then, the matter is pending with BIFR for further decision.

FIXED DEPOSITS

The company has neither invited nor accepted or renewed any 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 :

BSIDC has withdrawn its nomination of Mr. K. N. Prasad as Chairman and Director w.e.f. 18th February, 1998 and has nominated Mr. Vimal Kirti Singh as Chairman and Director of the Company. The Board places on record its sincere appreciation for the valuable guidance and assistance provided by Mr. K. N. Prasad during his tenure as Chairman of the Company. BSIDC has also withdrawn its nomination of Mr. T. Nandakumar w.e.f. 28th October, 1997 and has nominated Mr. G. S. Kang as a Director of the Company. The Board places on record its sincere appreciation for the guidance and assistance provided by Mr. T. Nandakumar during his tenure as a Director of the Company.

Pursuant to Section 260 of the Companies Act, 1956, Mr. G.S.Kang will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

Consequent upon his resignation, Mr. Vincent Kisker ceased to be a Director with effect from 14th May, 1998. The Board places on record its sincere appreciation for the guidance and assistance provided by Mr. Vincent Kisker during his tenure as a Director of the Company.

DEG has nominated Mr. G.F. Grote as its nominee on the Board in place of Mr. Vincent Kisker. Pursuant to Section 262 of the Companies Act, 1956, Mr. G.F. Grote will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company,

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Mr. K. K. Jain and Mr. S. Swarup 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 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 : 19th September, 1998

[VIMAL KIRTI SINGH]

CHAIRMAN

Annexure 'A' to the Directors' Report:

Particulars of Employees as per Section 217 (2A) of the Companies Act, 1956, for the year ended 31st March, 1998.

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.	Aggarwal S.L	Chief Mgr. (Fin. & Acts.)	53	350683	B.Com, FCA	29	01.8.88	Mgr. Accounts Modi Industries Ltd.
2.	Garg B. D.	Chief Executive	49	463400	B.Sc., Engg. (Elect)	26	16.5.89	Mgr. Purchase (R&M) Modi Industries Ltd.
3.	Gulati K.K.	Chief Manager (P&C)	50	313947	B.Sc., Met. Engg	26	01.2.93	Dy Gen. Manager Modi Industries Ltd.
4.	Gupta Santosh	Vice President (Commercial)	61	322033	M.Com	29	19.9.92	GM (Commercial) Modi Industries Ltd
5.	Jaitely R.K.	Vice President (Per, Admn & Pub. Relations)	47	408634	B.A	27	01.11.88	Admn. Officer Modi Industries Ltd.
6.	Modi U.K.	Vice Chairman & Managing Director	47	305850	B.Sc., B.E	25	28.3.89	Managing Director Modi Industries Ltd.
7.	Mukhopadhyay S.	Vice President (Operations)	44	303478	M.Sc (Geologist)	19	01.8.89	Geologist, TISCO LTD.
8.	Rustagi R.S.	Vice President (Finance)	57	497136	B.Com FCA	33	02.7.92	G.M (Fin & Accts) L M L Ltd.

B. EMPLOYED FOR PART OF THE YEAR : NIL

Notes : Nature of appointment of all employees except Mr. U. K. Modi 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 : Approx. Rs. 2.75 lakhs.

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

	1997-98 (RS)	1996-97 (RS)
1. EARNINGS	—	—
2. OUTGO		
a) Interest	2,67,66,800	88,08,781
b) Other Matters	5,22,585	3,35,570
c) Import on CIF Basis stores & spares	5,41,524	2,32,299