

ANNUAL REPORT

1999-2000



BSIL
BIHAR SPONGE IRON LIMITED

BSIL

BIHAR SPONGE IRON LTD.

Board of Directors

Dr. Gore Lal Yadav, IAS	Chairman
Mr. Umesh K. Modi	Vice Chairman & Managing Director
Mr. G.S. Kang, IAS	
Mr. Turan Caglayan	
Mr. G.F. Grote	
Mr. K.K. Jain	
Mr. P.R. Latey	
Mr. G.C. Jain	
Mr. Vijay Tandon	
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. P.N Mehta	(To Mr. G.F. Grote)
Mr. H.G. Hansmann	(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 - 110002

Audit Sub-Committee

Mr. K.K. Jain	Chairman
Mr. G.C. Jain	
Mr. R.K. Chavali	Nominee - IFCI

Registered Office & Plant Site

P.O. Chandil, Dist. Singhbhum, Bihar- 832401.

Head Office

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

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Bankers

Allahabad Bank, State Bank of Patiala, UCO Bank.

Registrar and Share Transfer Agent

Fintech Compu Systems 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 18th Annual General Meeting of the Members of Bihar Sponge Iron Ltd. will be held on Saturday, 9th September, 2000 at 10.00 a.m. at the Registered Office of the Company at Chandil, District Singhbhum, Bihar to transact the following business.

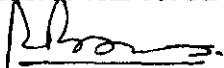
ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2000 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. 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. G.S. Kang 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. Vijay Tandon 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.C. Jain 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 : 31st July, 2000

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 at least 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, 1st September, 2000 to Saturday, 9th September, 2000 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 and 6 is 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 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. Vijay Tandon, was appointed as Director of the Company at the Board Meeting held on 29th April, 2000 to fill the casual vacancy caused by resignation of Mr. R.S. Lodha. In terms of Article 100 of the Articles of Association and pursuant to Section 262 of the Companies Act, 1956, Mr. Vijay Tandon holds office as Director only upto the date upto which Mr. R.S. Lodha in whose place he was appointed would have held office i.e. upto the date of ensuing Annual General Meeting.

Mr. Vijay Tandon is a fellow member of the Institute of Chartered Accountants of India having more than 3 decades' experience in Accounts, Audit, Management Consultancy, Corporate Laws etc. The Company will gain immensely if, Mr. Vijay Tandon is elected as Director of the Company.

The Directors accordingly recommend the resolution for the approval of the shareholders. Notice has been received from a Member under Section 257 of the Companies Act, 1956, alongwith deposit of Rs. 500/- proposing Mr. Vijay Tandon's candidature for the office of a Director to retire by rotation.

None of the Directors of the Company except Mr. Vijay Tandon is deemed to be interested in this resolution.

ITEM NO. 6

Mr. G.C. Jain was appointed as Director of the Company at the Board Meeting held on 31st July, 2000 to fill the casual vacancy caused by death of Mr. R.K. Bansal. In terms of Article 100 of the Articles of Association and pursuant to Section 262 of the Companies Act, 1956, Mr. G.C. Jain holds office as Director only upto the date upto which Mr. R.K. Bansal in whose place he was appointed would have held office i.e. upto the date of ensuing Annual General Meeting.

Mr. G.C. Jain is a Law Graduate from Rajasthan University and also a fellow member of the Institute of Chartered Accountants of India having around 37 years of experience in Accounts, Audit, Taxation, Corporate Laws etc. The Company will gain immensely if, Mr. G.C. Jain is elected as Director of the Company.

The Directors accordingly recommend the resolution for the approval of the shareholders. Notice has been received from a Member under Section 257 of the Companies Act, 1956, alongwith deposit of Rs. 500/- proposing Mr. G.C. Jain's candidature for the office of a Director to retire by rotation.

None of the Directors of the Company except Mr. G.C. Jain is deemed to be interested in this resolution.

BY ORDER OF THE BOARD



(RAKESH BHATIA)

COMPANY SECRETARY

Place : New Delhi

Dated : 31st July, 2000

BSIL

BIHAR SPONGE IRON LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 18th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2000.

Financial Results

(Rs. in Lacs)

	1999-2000	1998-99
Sales and other Income	10934.05	7458.75
Profit/(Loss) before depreciation,		
Interest & Income Tax	1208.77	(281.78)
Depreciation	1000.50	1048.02
Interest		
- Simple Interest	1533.63	1793.65
- Penal Interest	3327.33	2445.59
Income Tax	0.05	-
Loss for the year	4652.74	5569.04

OPERATIONS

Your company has recorded production of 1,51,587 MT of Sponge Iron in 326 operating days during the year under review as compared to 1,34,192 MT during the previous year in 286 operating days. The capacity utilisation has been approximately 101% as against 90% of the previous year.

The impact of major refractory work carried out during the previous year is being reflected in the increased number of operating days. The Company has achieved a longest Working Campaign of 304 days which is a record not only for the company itself but for whole of the coal based plants of same capacity in India. The Directors are confident that the Plant Operation will continue to be high in future also.

FUTURE PROSPECTS**CAPTIVE POWER PLANT**

To augment the profitability of the Company and to utilise the Coal Fines (generated from the Operations) and Coal, the Company is putting up its Captive Power Generating Unit. After its commissioning, the Company will be self sufficient for its requirement of power. The plant is expected to be commissioned by April, 2001.

RAW MATERIAL DRYING PLANT

Further, to enhance the plant capacity, the Company is installing raw material drying facility whereby the moisture contents in the raw material will be eliminated before the same is fed into the main Kiln, by using hot waste gases whereby the process time will be reduced considerably. It will result in enhancement of plant capacity from 1,50,000 tons to 1,80,000 tons per annum. The plant is expected to be commissioned by June, 2001.

As a result, the Company will save substantial amount on purchase of power from B.S.E.B. and additional production will contribute to the profitability, the impact of which will be felt in the coming years.

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.

TRIBUTE

Mr. R.K. Bansal, Director of the Company passed away on 30th April, 2000. The Directors mourn the sad demise with deep grief and sense of personal loss. Let all of us pay our respectful homage to the departed soul.

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. Vimal Kirti Singh, IAS as Director and Chairman of the Board of Directors w.e.f. 11th January, 2000 and has nominated Dr. Gore Lal Yadav, IAS as Director and Chairman of the Board of Directors of the Company.

LURGI has withdrawn its nomination of Dr. Walter Schlebusch as Director w.e.f. 26th April, 2000. Consequently Mr. J.B. Dadachanji had also ceased to be Alternate Director to Dr. Walter Schlebusch.

Mr. H.G. Hansmann was appointed as Alternate Director to Mr. Turan Caglayan in place of Mr. K. Benz by the Board in its Meeting held on 31st July, 2000.

The Board places on record its deep sense of appreciation for the wise counsel, valuable guidance and co-operation extended by Mr. Vimal Kirti Singh, Dr. Walter Schlebusch, Mr. J.B. Dadachanji and Mr. K. Benz during their tenure of the Directorship.

The Board of Directors in their meeting held on 29th April, 2000 appointed Mr. Vijay Tandon as Director of the Company in the casual vacancy caused by resignation of Mr. R.S. Lodha. The Board of Directors also in their meeting held on 31st July, 2000 appointed Mr. G.C. Jain as Director of the Company in the casual vacancy caused by death of Mr. R.K. Bansal.

Pursuant to Section 262 of the Companies Act, 1956, Mr. Vijay Tandon and Mr. G.C. Jain will hold office till the ensuing Annual General Meeting and are eligible for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. K.K. Jain and Mr. G.S. Kang retire by rotation and are eligible for re-appointment.

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, 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.

ACKNOWLEDGMENTS

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 : 31st July, 2000

(DR. GORE LAL YADAV, IAS)
CHAIRMAN

BSIL

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, 2000.

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.	Garg B.D.	Chief Executive	51	725623	B.Sc. Engg. (Elect.)	28	16.05.89	Mgr. Purchase (R&M) Modi Ind. Limited
2.	Rustagi R.S.	Vice President (Finance)	59	608581	B.Com. FCA	35	02.07.92	G.M. (Fin. & Accts) LML Ltd.
B. EMPLOYED FOR PART OF THE YEAR.								
1.	Sood D.K.	Accounts Officer	52	180655	B.Com	23	10.07.89	Sr. Accountant Modi Ind. Limited

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 complete
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

	1999-2000 (RS)	1998-99 (RS)
1. Outgo		
a) Other Matters	47,840	1,94,627
b) Import on CIF basis Stores & Spares	14,47,144	2,30,144

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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, 2000 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. 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 account 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 referred in Section 211(3C) of the Companies Act, 1956.
 - (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accountings 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 recoverable 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, 2000, 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 : 31st July, 2000

(MPTHAKUR)

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 procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies between the physical stocks and book stocks which were not significant have been properly dealt with in the accounts.
- iv) In our opinion, the valuation of stocks of finished goods, stocks of spare parts and raw material is fair and proper and is in accordance with normally accepted accounting principles and is on the same basis as in the previous year.