

# **ANNUAL REPORT**

**2001 - 2002**

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**BSIL**

**BIHAR SPONGE IRON LIMITED**



**PRINTED AT : MODI MOTORS PVT. LTD., (PACKAGING DIVISION)**  
**W-13, SECTOR-11, NOIDA-201 301, PHONE : 4544683, 4544685**

**Board of Directors**

Dr. Gore Lal Yadav, IAS  
 Mr. Umesh K. Modi  
 Mr. Ashok Kumar, IAS  
 Mr. P.P. Sharma, IAS  
 Mr. Abhishek Modi  
 Mr. Turan Caglayan  
 Mr. G.F. Grote  
 Dr. Wolfgang Janke  
 Mr. K.K. Jain  
 Mr. P.R. Latey  
 Mr. G.C. Jain  
 Dr. S.S. Jha  
 Mr. Madan Lal  
 Mr. R.K. Agrawal  
 Mr. G.K. Sharma

Chairman  
 Vice Chairman & Managing Director

Nominee-IFCI  
 Nominee-IDBI  
 Nominee-LIC  
 Nominee-BIFR

**Alternative Directors**

Mr. P.N. Mehta (To Mr. G.F. Grote)  
 Mr. H.G. Hansmann (To Mr. Turan Caglayan)  
 Mr. J.N. Khurana (To Mr. Abhishek Modi)

**Company Secretary**

Mr. Rakesh Bhatia

**Statutory Auditors**

M/s Thakur, Vaidyanath Aiyar & Co.  
 Chartered Accountants  
 212, Deen Dayal Marg, New Delhi-110002.

**Audit Committee**

Mr. K.K. Jain Chairman  
 Mr. G.C. Jain  
 Dr. S.S. Jha Nominee-IFCI

**Registered office & Plant Site**

Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401 Jharkhand

**Bankers**

State Bank of Patiala, Allahabad Bank, UCO Bank

**Registrars and Share Transfer Agents****Physical Mode**

Fintech Compu Systems Ltd., WZ-1390/4, IIIrd Floor, Nangal Raya,  
 Near 'D' Block Janakpuri Bus Stand, New Delhi-110046.

**Electronic Mode**

MCS Ltd., Sri Venkatesh Bhawan, 212-A, Shahpurjat,  
 New Delhi-110049.

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## NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of Bihar Sponge iron Ltd. will be held on Saturday, 30th November, 2002 at 9.00 a.m. at the Registered Office of the Company at Umesh Nagar, Chandil, Dist Saraikela-Kharsawan – 832401 Jharkhand to transact the following businesses:-

### ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2002 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 reappointment.
3. To appoint a Director in place of Mr. G. C. Jain who retires from office by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Turan Caglayan who retires from office by rotation, but being eligible, offers himself for re-appointment.
5. 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:

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. Ashok Kumar, IAS 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 pursuant to the relevant provisions of the Articles of Association of the Company and of the Companies Act, 1956, Mr. P. P. Sharma, IAS 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: 23rd October, 2002

[RAKESH BHATIA]  
COMPANY SECRETARY

### 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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed on 30th November, 2002.
4. Non- Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent sttlement.

5. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to INDIVIDUALS holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Share Department of the Company.
6. Members are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.
7. 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.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

#### ITEM NO.6

Mr. Ashok Kumar, IAS was appointed as Director of the Company w.e.f 12<sup>th</sup> January, 2001 to fill the casual vacancy caused by withdrawal of nomination of Mr. G.S. Kang, IAS by BSIDC. In terms of Article 100 of the Articles of Association and pursuant to Section 262 of the Companies Act, 1956, Mr. Ashok Kumar holds office as Director only upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a Member together with deposit of Rs. 500/- as required by the Section 257 of the Companies Act, 1956 proposing Mr. Ashok Kumar as a candidate for the office of Director.

Mr. Ashok Kumar, aged 52 years, is an IAS Officer and possesses extensive experience in administration. He has been serving Govt. of India and State Government at varied positions and presently posted as Secretary, Industries Department, Government of Bihar.

The Directors accordingly recommend the resolution for the approval of the shareholders

None of the Directors of the Company except Mr. Ashok Kumar is interested in this resolution.

#### ITEM NO.7

Mr. P. P. Sharma was appointed as Director of the Company, at the Board Meeting held on 7<sup>th</sup> March, 2002 to fill the casual vacancy caused by resignation of Mr. Vijay Tandon. In terms of Article 100 of the Articles of Association and pursuant to Section 262 of the Companies Act, 1956, Mr. P. P. Sharma holds office as Director only upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a Member together with deposit of Rs. 500/- as required by the Section 257 of the Companies Act, 1956 proposing Mr. P. P. Sharma as a candidate for the office of Director.

Mr. P. P. Sharma, aged 54 years, is an IAS Officer and possesses extensive experience in administration. He has been serving Govt. of India and State Governments at varied positions and presently posted as Industry Secretary, Government of Jharkhand.

The Directors accordingly recommend the resolution for the approval of the shareholders

None of the Directors of the Company except Mr. P. P. Sharma is interested in this resolution.

BY ORDER OF THE BOARD

Place : New Delhi  
Dated: 23rd October, 2002

[RAKESH BHATIA]  
COMPANY SECRETARY

**DIRECTORS' REPORT****To the Members**

The Directors have pleasure in presenting the 20<sup>th</sup> Annual Report of the Company alongwith audited accounts for the year ended 31<sup>st</sup> March, 2002.

**FINANCIAL RESULTS**

	<b>2001 - 2002</b>		<b>2000 - 2001</b>	
			<b>Rs. In lacs</b>	
Sales and Other Income	<b>9879.58</b>		10146.71	
Profit / (Loss) before Interest, Depreciation & Income Tax	<b>229.65</b>		(430.07)	
Interest				
- Simple	<b>1542.12</b>		1426.43	
- Compound	<b>2434.67</b>	<b>3976.79</b>	<b>1999.02</b>	3425.45
Depreciation		<b>1020.67</b>		985.93
Income Tax		<b>Nil</b>		Nil
Loss for the year before extra ordinary items		<b>(4767.81)</b>		(4841.45)
Extraordinary Items				
- Expenditure				
Coal Cess for previous years	—		264.19	
Fuel Surcharge for previous years	—		429.22	
Stores & Spares in transit written off	<b>58.20</b>	<b>58.20</b>	—	693.41
- Income				
Simple and Compound Interest Written back for previous years (including Rs. 229.10 lacs waived as one time settlement)	<b>270.61</b>	<b>270.61</b>	<b>5698.53</b>	<b>5698.53</b>
Profit / (Loss) for the year carried to Balance Sheet		<b>(4555.40)</b>		<b>163.67</b>

**OPERATIONS**

Yours Company has recorded production of 1,51,265 MT of Sponge Iron in 325 operating days during the year under review as compared to 1,53,097 MT during the previous year in 336 operating days. The capacity utilization has been ~101% as against ~102% of the previous year. The Directors are confident that the Plant Operation will continue to be high in future also.

**PROJECTS**

As reported in the previous year, to further augment the profitability of the Company and optimum utilization of infrastructure facilities available in the plant, the Company had commissioned the following projects:

**CAPTIVE POWER PLANT**

The Captive Power Plant of 5 MW was successfully commissioned on 19<sup>th</sup> August, 2002 and since then the same is being successfully operated.

**2ND KILN:**

Additional Kiln of 30,000 TPA capacity was successfully commissioned on 3<sup>rd</sup> October, 2002 and since then the same is being successfully operated.

**MANAGEMENT DISCUSSION & DEVELOPMENT:****INDUSTRY STRUCTURE & DEVELOPMENT:**

The Steel industry is showing signs of recovery. The forecast recovery in the US economy and its input on other large economies will have a positive bearing too. Though global steel sector witnessed a 7.5% fall in output during 2001, it was largely due to global slump in steel prices and escalation of natural gas prices in the NAFTA region. Industry experts forecast a modest rise in global steel production during calendar 2002 and a further enhancement in 2003. Against this, global scrap supplies are likely to remain under pressure. Experts forecast firm scrap prices during this period. The Company is confident of improving outlook for global sponge iron industry in F.Y. 2003.

**OPPORTUNITIES:**

The domestic Sector is building on the back of a modest growth in steel production during FY 02 and is slated to pick up further given the impending economic recovery. Against the improving demand outlook, competition from imported scrap is likely to subside given forecast firm prices and higher custom duty on ship-breaking scrap imposed during the year. Overall, the company sees a rise in demand and prices over the next two years.

**THREATS:**

The biggest challenge facing coal based sponge iron producers is the poor quality and unstable supplies of coal and the sharp revision in prices of coal, power and transportation which had a direct impact on the profitability of coal based sponge iron producers in the country.

**OUTLOOK:**

Towards ensuring profitable operations within the forecast challenging environment, the Company's primary focus will be ensuring cost reduction and enhanced production by way of debottlenecking/installation of fresh capacity. Paring costs of key inputs and better logistics management is an ongoing priority.

**RISKS AND CONCERNS:**

In the event of any further rise in the prices of input, the Company's performance will suffer significantly.

**BIFR REFERENCE:**

Based on the Techno Economic Viability Study of MECON Limited, IFCI (Operating Agency) circulated the Draft Rehabilitation Scheme (DRS) vide its letter dated 24<sup>th</sup> December, 2001 and had concluded that based on the revival plan & relief/concessions from various Institutions/Banks, Central Government etc, the profitability projections and induction of fresh equity capital, the net worth of the Company will become positive in the year 2006-

2007. Meanwhile IFC-W had submitted One Time Settlement (OTS) proposal vide its letter dated 18<sup>th</sup> January, 2002.

Based on the Draft Rehabilitation Scheme submitted by the Company, OTS proposal of IFC-W and hearings of BIFR, IFCI had held a joint meeting on 19<sup>th</sup> August, 2002. Institutions/Banks have unanimously opted for the OTS proposal of IFC-W. The main features of the said OTS proposal is as follows:

- The entire outstanding as on 30.09.2001 will be restructured at Rs. 135 crores on One Time Settlement basis.
- The upfront promoters contribution will be Rs. 65 crores out of which Rs. 50 crores will be contributed by Government of Jharkhand and balance Rs. 15 crores by MODIS.
- Balance Rs. 70 crores would be paid over a period of 10 years.
- The Indian Currency Loan will carry interest @ 8% p.a and Foreign Currency Loan will carry interest at LIBOR.

The Draft Rehabilitation Scheme has been circulated by IFCI Limited (O.A.) to BIFR and all other concerned. The One Time Settlement is yet to be approved by the BIFR.

#### FIXED DEPOSITS:

The Company has neither invited nor accepted 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:

IFCI has withdrawn its nomination of Mr. R.K. Chavali as Director w.e.f. 23<sup>rd</sup> August, 2002 and has nominated Dr. S.S. Jha as Director of the Company.

Mr. Vijay Tandon had resigned from the directorship of the Company w.e.f. 21<sup>st</sup> February, 2002. Mr. J.N. Khurana ceased to be Alternate Director to Mr. Abhishek Modi w.e.f. 23<sup>rd</sup> May, 2002 and Mr. H.G. Hansmann ceased to be Alternate Director to Mr. Turan Caglayan w.e.f. 7<sup>th</sup> March, 2002.

The Board of Directors in their meeting held on 7<sup>th</sup> March, 2002 appointed Mr. P. P. Sharma, IAS as Director of the Company in the casual vacancy caused by resignation of Mr. Vijay Tandon and Mr. Vijay Tandon as Alternate Director to Dr. Wolfgang Janke respectively.

The Board of Directors in their meeting held on 23<sup>rd</sup> May, 2002 appointed Mr. H.G. Hansmann as Alternate Director to Mr. Turan Caglayan.

The Board of Directors in their meeting held on 23<sup>rd</sup> October, 2002 appointed Mr. J.N. Khurana as Alternate Director to Mr. Abhishek Modi.

Mr. Vijay Tandon ceased to be Alternate Director to Dr. Wolfgang Janke w.e.f. 23<sup>rd</sup> October, 2002.

Pursuant to Section 262 of the Companies Act, 1956. Mr. Ashok Kumar and Mr. P. P. Sharma will hold office till the ensuing Annual General Meeting and are eligible for re-appointment.

In accordance with the provisions of Section 256 of Companies Act, 1956 and Article 128 of the Articles of Association of the Company, Mr. K.K. Jain, Mr G.C. Jain and Mr. Turan Caglayan retire by rotation and are eligible for re-appointment.

The Board places on record its deep sense of appreciation for the wise counsel, valuable guidance and Co-operation extended by Mr. R.K. Chavali and Mr. Vijay Tandon during their tenure of the Directorship.

#### 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 reappointment.

#### ACCOUNTS AND AUDIT REPORT:

The Accounting Policies and Notes to Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

#### DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company declare as under:

- (i) That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed alongwith proper explanation relating to material departures.
- (ii) That the Company has selected such accounting policies and applied them consistently and made judgments and estimates that are 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 that period.
- (iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the annual accounts are prepared on a going concern basis.

#### CORPORATE GOVERNANCE:

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditors Certificate confirming compliance of conditions of Corporate Governance is included in the said Corporate Governance Report.

#### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is annexed hereto as per Annexure.

#### PERSONNEL:

None of the employees of the Company were in receipt of remuneration within the limits as prescribed by provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended.

#### ACKNOWLEDGEMENT:

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

The Directors also wish to place on record their appreciation for the all round support and cooperation received from the employees at all levels.

For & on behalf of the Board

Place : New Delhi  
Dated: 23rd October, 2002

Gore Lal Yadav, IAS  
( Chairman)

#### ANNEXURE – I

##### Conservation of Energy

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

The steps have been taken / are being taken to achieve the objective include

- Optimisation of process operating parameters. Dryer / Preheating of Kiln Charge using Waste Heat has been installed.
- Disposal through sale of all waste products for ultimate use as domestic fuel.
- Maintaining an active programme of avoiding wastage of electric power
- Double roll crusher has been installed to avoid wastage of coal
- Hand picking belt has been installed for improving coal quality fed to system and removing shale/stone from Coal.



- Installation of 5 MW Captive Power Plant from waste (Kiln waste & surplus coal fines generated in Coal sizing plant)

**FORM B****RESEARCH AND DEVELOPMENT (R & D)**

- Specific areas in which R & D is carried out by the company.
  - Identification of new coal sources
  - Testing and trial of indigenous refractory
  - Trials and establishing practice of fine ore injection
  - Jaw Crushers have been installed 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.
- 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
  - A Dryer / pre-heater system has been successfully installed to remove moisture from feed and preheat the Kiln charge to increase the production.
  - Injection of dolomite from discharge end to reduce dolomite consumption.
- Future plan of action
  - On site upgrading of coal quality
  - Operationalise of Crushing Circuit to reduce fine generation
  - On going study into suitability of raw materials
  - Development of new sources for Iron Ore procurement
- Expenditure on R & D : Nil

**TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION**

- Efforts in brief made towards technology absorption, adaptation & innovation.
  - Technology transfer is complete
- 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 utilisation.
  - Ability to put attention on fine ore injection and build up confidence of injecting fines, which shall result in increased production improvement in the quality of output and reduction in cost.
- TECHNOLOGY IMPORTED**
  - Lurgi SL/RN process for the direct reduction of Iron Ore in a rotary kiln.
  - Year of import 1986-89 (plant construction period)
  - Has the technology been fully absorbed? Yes
  - 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**

	2001-2002 (RS)	2000-2001 (RS)
<b>1. OUTGO</b>		
a) Travelling	10,37,666	3,23,840
b) Other Matters	50,055	48,547
c) Import on CIF Basis Stores & Spares	9,00,764	3,56,378

**CORPORATE GOVERNANCE REPORT****COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

At Bihar Sponge Iron Limited, Corporate Governance is an integral part of the Company's values, ethics, business practices and norms. Towards this, the Company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the Corporate Governance.

**BOARD OF DIRECTORS:**

Composition of the Board of Directors and other details as on 31<sup>st</sup> March, 2002 is as under:

Name of the Director	Executive/independent/Non-Executive	No. of meetings attended (+)	Attendance at previous AGM on 27th December, 2001	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee
Dr. Gore Lal Yadav, IAS	Chairman & Non Executive Director	3	Not Present	10	1
Mr. Umesh K. Modi@	V ice Chairman & Managing Director	4	Present	9	2
Mr. Ashok Kumar, IAS	Non Executive Director	2	Not Present	5	Nil
Mr. Abhishek Modi@	Non Executive Director	-	Present	6	Nil
Mr. K.K. Jain	Independent Director	4	Present	Nil	4
Mr. G.C. Jain	Independent Director	4	Not Present	2	4
Dr. Wolfgang Janke	Independent Director	4	Not Present	Nil	Nil
Mr. P.R. Latey	Independent Director	3	Not Present	2	Nil
Mr. P.P. Sharma, IAS	Independent Director	1	Not Present	Nil	Nil
Mr. R.K. Chavali	Nominee Director	4	Not Present	1	2
Mr. R.K. Agrawal	Nominee Director	3	Not Present	Nil	Nil
Mr. G.K. Sharma	Nominee Director	-	Not Present	2	Nil
Mr. J.K. Dutta (up to 23.08.2001)	Nominee Director	1	Not Applicable	-	-
Mr. Madan Lal (from 05.09.2001)	Nominee Director	3	Not Present	1	Nil
Mr. G.F. Grote	Non Executive Director	-	Not Present	1	Nil
Mr. Turan Caglayan	Non Executive Director	2	Not Present	1	Nil