

# **ANNUAL REPORT**

**2002 - 2003**



**BSIL**

**BIHAR SPONGE IRON LIMITED**

**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. Manoj Ralhan  
 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  
 Mr. H.G. Hansmann

(To Mr. G.F. Grote)  
 (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 Committee**

Mr. K.K. Jain  
 Mr. G.C. Jain  
 Dr. S.S. Jha

Chairman  
 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**

Skyline Financial Services Pvt. Ltd.  
 123, Vinobhapuri, Lajpat Nagar-II,  
 New Delhi-110024.

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**NOTICE**

Notice is hereby given that 21<sup>st</sup> Annual General Meeting of the Members of Bihar Sponge Iron Ltd. will be held on Wednesday, 24<sup>th</sup> December, 2003 at 10.00 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 31<sup>st</sup> March, 2003 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. Wolfgang Janke who retires from office by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G.F. Grote 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 a Special Resolution:-

**"RESOLVED THAT** in partial modification of previous resolution passed in the Annual General Meeting held on 25.09.1989, consent of the company be and is hereby accorded under Section 293 (1) (d) of the Companies Act, 1956, to borrow any sum or sums of money from time to time for the purposes of the Company upon such terms and conditions and with/without security, as the Board of Directors may, in its absolute discretion, think fit, notwithstanding the fact that money or moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the total shall not exceed at any one time the aggregate of the paid up capital of the company and its free reserves by a sum of Rs. 500 Crores.

BY ORDER OF THE BOARD

Place : New Delhi  
Date : 21.11.2003

[**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 remained close from 13<sup>th</sup> October, 2003 to 18<sup>th</sup> October, 2003 (both days inclusive).
4. Non- Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
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 at least 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**

The shareholders of the company in their 7<sup>th</sup> Annual General Meeting held on 25.09.1989 authorised the Board of Directors to borrow money in excess of paid up capital and free reserves but not exceeding Rs. 150.00 Crores. The loans contracted by the company were within the limits authorised by the shareholders but due to exchange fluctuation of Foreign Currency and non payment of interest thereon, the total amount due has exceeded the limits. As per Draft Rehabilitation Scheme circulated by Hon'ble BIFR on 27.11.2002, the total outstanding due to Financial Institutions and Banks (as on 30.09.2001) including simple interest and compound interest amounts to Rs. 376.64 crores.

The Draft Rehabilitation Scheme circulated on 27.11.2002 proposes financial assistance from the Government of Jharkhand. The Government of Jharkhand has formulated a scheme known as "Jharkhand Industries Rehabilitation Scheme - 2003". As per the said scheme, the State Government of Jharkhand would contribute an amount by way of equity/soft loan along with other relief and concessions. In case the contribution from the Government of Jharkhand is received by way of soft loan, the total borrowings as mentioned above will exceed the existing borrowing powers.

It is proposed that the borrowings of the company may not exceed at any time the aggregate of paid up capital of the company and its free reserves by Rs. 500 crores pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956. In view of the above, the Directors recommend for the approval of the shareholders the resolution at item no. 6 of the notice.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

BY ORDER OF THE BOARD

Place : New Delhi  
Date : 21.11.2003

[**RAKESH BHATIA**]  
COMPANY SECRETARY

## DIRECTORS' REPORT

### To the Members

The Directors have pleasure in presenting the 21<sup>st</sup> Annual Report of the Company along with audited accounts for the year ended 31<sup>st</sup> March, 2003.

### FINANCIAL RESULTS

	Rs. in lacs	
	2002-2003	2001-2002
Sales and Other Income	11,195.23	9,879.58
Profit / (Loss) before Interest, Depreciation & Income Tax	502.83	229.65
Interest		
– Simple	2,430.36	1,542.12
– Compound	3,515.39	2,434.67
Depreciation	1,295.42	1,020.67
Income Tax	—	—
Loss for the year before extra ordinary items	(6,738.34)	(4,767.81)
Extraordinary Items		
– Expenditure		
Stores & Spares in transit written off	—	58.20
Coal Premium	129.38	—
– Income	—	58.20
Simple and Compound Interest		
Written back for previous years	—	270.61
Profit / (Loss) for the year carried to Balance Sheet	(6,667.72)	(4,555.40)

### OPERATIONS

Yours Company has recorded production of 1,53,523 MT of Sponge Iron in 312 operating days during the year under review as compared to 1,51,265 MT during the previous year in 325 operating days.

During the year under review, the Kiln – I was operated for 312 days compared to 325 days in the previous year and produced 1,40,533 MT in the year compared to 1,51,265 MT of sponge iron in the previous year. The Kiln – II started production on 6<sup>th</sup> October, 2002 and produced 12,990 MT of the sponge iron in 163 days of operation. The capacity utilization achieved was 93.69% for Kiln-I and 74.22% for Kiln-II.

The company successfully commissioned captive 5 MW power plant during the year under review and the same is running at PLF 0.85%. The captive power plant has helped the company to minimize the power cost to a great extent.

The Directors are confident that the Plant Operation will be optimum in the current financial year i.e. 2003-2004.

### MANAGEMENT DISCUSSION & DEVELOPMENT:

#### INDUSTRY STRUCTURE & DEVELOPMENT:

Sponge Iron is a high quality ferrous material and is preferred to other materials by secondary steel producers. During the year, the

company also supplied sponge iron to consumers using it in blast furnace.

The year under review started with increase in demand and prices of sponge iron and touched record levels particularly the last quarter of the year.

### OPPORTUNITIES:

Coal and Iron Ore are the two major costs in producing sponge iron. The price of both are often increased by the suppliers, which have a major impact on the company's margin. To have a better control over input cost, the company is exploring opportunities for obtaining mining rights for iron ore and coal.

### THREATS:

The rising cost of iron ore and coal, imported scrap and competition from new mini sponge iron plants are the main threats to the company.

### OUTLOOK:

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

### RISKS AND CONCERNS:

The price of sponge iron is very sensitive to the demand – supply position of steel scrap and to the price of long products. Any slowdown in economic activities can adversely affect the demand- supply equation prevailing in the sponge iron industry.

### BIFR REFERENCE :

Based on the scheme circulated by IFCI (OA), BIFR had vide its order dated 27.11.2002 circulated the Draft Rehabilitation Scheme to all the concerned persons and invited objections/suggestions within 60 days from the date of the said order and fixed hearing on 17.02.2003. The final scheme as circulated by BIFR on 27<sup>th</sup> November, 2002 and approved by the Creditors is as under:

	(Rs. in Crores)
Total settlement amount under OTS	135.00
Upfront payment:	
– Government of Jharkhand	50.00
– Private Promoters	15.00
Payment by the company over 10 years with interest @ LIBOR for Foreign Currency Loan and 8% per annum For Rupee Loan.	70.00
	135.00

Due to delay on the part of Govt of Jharkhand in approving the financial assistance to the company, BSIDC apprehending an action by IFCI / BIFR filed a writ petition before Hon'ble Patna High Court challenging the said order regarding threat of derating of shares and change of management. Hon'ble Patna High Court vide its order dated 2<sup>nd</sup> September, 2003 has directed the company to deposit Rs. 12.00 crores with IFCI in no lien account by 8<sup>th</sup> September, 2003 and

also restrained IFCI from proceeding on the directions of BIFR as contained in the order dated 17.02.2003. In compliance of the directions, the company after receiving the money from Mr. U.K. Modi against his commitment of Rs. 32.50 crores as share application money, deposited the same with IFCI (OA) on 5<sup>th</sup> September, 2003.

The Government of Jharkhand has notified "Jharkhand Industries Rehabilitation Scheme 2003" for rehabilitation of all sick companies situated in State of Jharkhand. Pursuant to the said scheme, the company is eligible for financial assistance to the extent of amount contributed by the private promoters towards the rehabilitation of the company. Mr. U.K. Modi along with his associates has agreed to bring in Rs. 32.50 crores as promoters' contribution against their commitment of Rs. 15.00 crores under the DRS circulated by BIFR.

In terms of decision of the Board of Directors, the company applied to the Govt of Jharkhand to grant financial assistance of Rs.32.50 crores against their commitment of Rs. 50.00 crores.

The proposal of the Company was considered by the Committee under the Chairmanship of Secretary, Industry, Government of Jharkhand in its meeting held on 6<sup>th</sup> August, 2003. In the said meeting, the Committee in principle agreed to forward this matter for consideration/approval by the State Level Empowered Committee subject to the expert opinion from the Financial Consultant on the method of investment and valuation of plant at Chandil.

The Committee under the chairmanship of Secretary, Industry in its meeting held on 12<sup>th</sup> September, 2003 considered the report of IFCI Financial Services Limited and Mecon Ltd. According to IFIN best option for Government of Jharkhand to assist BSIL with a mix of equity and soft loan. Mecon Ltd. valued the current realizable value of the plant at Chandil as Rs. 181.00 crores. The Committee after considering these reports decided to recommend favourably for approval by State Level Empowered Committee.

The State Level Empowered Committee under the Chairmanship of Chief Secretary, in its meeting held on 8<sup>th</sup> October, 2003 considered the case of the company and decided to favourably recommend the matter to the Cabinet for assistance of Rs.32.50 crores to BSIL with a mix of equity and soft loan. Soft loan will be secured by way of 2<sup>nd</sup> charge on the assets of the company. The State Cabinet meeting is likely to be held before the end of November, 2003.

The company has commenced payment of interest on Rs. 70.00 crores under the DRS @ LIBOR on Foreign Currency Loan and @ 8% per annum on Indian Rupee Term Loan to all the Lenders in proportion of their outstanding dues w.e.f. 30.09.2001, the cut off date. Till date the company has paid interest amounting to Rs. 4.35 crores to all lenders except UCO Bank who have not accepted the scheme. It is expected that the balance dues of interest will be cleared by 31.12.2003.

#### **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:

The Board of Directors in their meeting held on 27<sup>th</sup> March, 2003 appointed Mr. Vijay Tandon as Alternate Director to Dr. Wolfgang Janke.

Mr. Vijay Tandon ceased to be Alternate Director to Dr. Wolfgang Janke and Mr. J.N. Khurana ceased to be Alternate Director to Mr. Abhishek Modi respectively w.e.f 19<sup>th</sup> July, 2003.

IDBI has withdrawn its nomination of Mr. Madan Lal as Director and has nominated Mr. Manoj Ralhan as Director of the Company w.e.f. 20<sup>th</sup> October, 2003.

In accordance with the provisions of Section 256 of Companies Act, 1956 and Article 128 of the Articles of Association of the Company, Mr. P.R. Latey, Dr. Wolfgang Janke and Mr. G.F. Grote 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. Madan Lal, Mr. J.N. Khurana 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 re-appointment.

#### **ACCOUNTS AND AUDIT REPORT:**

The 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 [U.K. MODI]  
Date: 21.11.2003 VICE CHAIRMAN &  
MANAGING DIRECTOR

[G.C.JAIN]  
DIRECTOR

## ANNEXURE TO THE DIRECTORS' REPORT

**STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

#### CONSERVATION OF ENERGY:

##### A. POWER AND FUEL CONSUMPTION

	CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY		
A) PURCHASED		
Unit	58,95,900	1,59,47,900
Amount(Rs.)	3,17,38,026	7,57,68,997
Rate/Unit (Rs.)	5.38	4.75
B) OWN GENERATION		
1. Through Diesel generator		
Unit	6,49,839	1,43,584
Unit per liter of HSD	3.00	3.00
Cost/Unit (Rs.)	5.78	5.57
2. Through steam turbine		
Unit	1,31,19,600	—
Unit per M.T of fuel	1,038.00	—
Cost/Unit (Rs.)	2.13	—
2. COAL		
Quantity (M.T)	1,86,810.00	1,81,688.00
Cost (Rs.)	36,88,15,592	30,10,99,371
Average Rate (Rs./M.T)	1,974.28	1,657.23
B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)		
1. Electricity (Unit)	128.00	106.00
2. Furnace Oil	—	—
3. Coal (M.T)	1.22	1.20
4. Others – HSD (Liter)	1.27	0.31

#### TECHNOLOGY ABSORPTION:

- (A) Research and Development
- Specific areas in which R & D is carried out by the company : Nil
  - Benefits derived as a result of the above R & D : Does not arise
  - Future plan of action : Not yet decided
  - Expenditure on R & D : Nil
- (B) Technology absorption, adaptation & innovation
- Efforts in brief made towards technology absorption, adaptation & innovation.
  - Technology transfer is complete
  - Benefits derived as a result of above efforts
  - The company achieves the metallisation acceptable to the user industry.
  - Sponge Iron produced by the company has helped the country in saving outgo of scarce foreign exchange resources by way of import substitution.

#### 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

	2002-2003 (Rs.)	2001- 2002 (Rs.)
1 OUTGO		
a) Travelling	—	10,37,666
b) Other Matters	8,095	50,055
c) Import on CIF Basis		
Stores & Spares	46,289	9,00,764

For & on behalf of the Board

Place: New Delhi  
Date: 21.11.2003

[U.K. MODI]  
VICE CHAIRMAN &  
MANAGING DIRECTOR

[G.C.JAIN]  
DIRECTOR

## 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, 2003 is as under:

Name of the Director	Executive/Independent/ Non-Executive	No. of meetings attended (+)	Attendance at previous AGM on 30 <sup>th</sup> November, 2002	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	9	1
Mr. Umesh K. Modi @	Vice Chairman & Managing Director	3	Present	10	2
Mr. Ashok Kumar, IAS	Non Executive Director	2	Not Present	5	Nil
Mr. Abhishek Modi @	Non Executive Director	1	Not Present	5	Nil
Mr. K.K. Jain	Independent Director	3	Present	Nil	4
Mr. G.C. Jain	Independent Director	3	Not Present	2	3
Dr. Wolfgang Janke	Independent Director	1	Not Present	Nil	Nil
Mr. P.R. Latey	Independent Director	1	Not Present	Nil	Nil
Mr. P.P. Sharma, IAS	Independent Director	2	Present	Nil	Nil
Mr. R.K. Chavali (up to 23 <sup>rd</sup> August, 2002)	Nominee Director	1	Not Present	1	2
Dr. S.S. Jha (from 23 <sup>rd</sup> October, 2002)	Nominee Director	2	Present	2	3
Mr. R.K. Agrawal	Nominee Director	3	Not Present	Nil	Nil
Mr. G.K. Sharma	Nominee Director	Nil	Not Present	Nil	Nil
Mr. Madan Lal	Nominee Director	3	Present	5	Nil
Mr. G.F. Grote	Non Executive Director	Nil	Not Present	1	Nil
Mr. Turan Caglayan	Non Executive Director	Nil	Not Present	1	Nil
Mr. P.N. Mehta	Alternate to Mr. G.F. Grote	3	Not Present	3	3
Mr. J.N. Khurana	Alternate to Mr. Abhishek Modi	2	Not Present	2	Nil
Mr. Vijay Tandon	Alternate to Dr. W. Janke	1	Not Present	Nil	Nil
Mr H G Hansmann	Alternate to Mr Turan Caglayan	Nil	Not Present	Nil	Nil

(+) Attendance at Board Meetings relevant to the period when appointed as Director of the Company.

(\*) Directorship in companies registered under the Companies Act, 1956, excluding Directorships in Private Limited Companies, Companies under section 25 of the Companies Act and Alternate Directorships.

(@) Mr Umesh K. Modi and Mr Abhishek Modi are related as Father and Son.

Board Meetings held during the year 23<sup>rd</sup> May, 2002, 23<sup>rd</sup> October, 2002 and 27<sup>th</sup> March, 2003.

### AUDIT COMMITTEE:

The Company has an Audit Committee in place since 1987 comprising of 3 members all of whom are independent Directors. The Chairman of the Committee is Mr. K.K. Jain with Mr. G.C. Jain and Mr. R.K. Chavali (up to 23<sup>rd</sup> August, 2002) & Dr. S.S. Jha (from 23<sup>rd</sup> October, 2002) as its members. Mr. Rakesh Bhatia, Company Secretary acts as a Secretary to the Committee. Chief Executive, Vice President (Finance & Accounts), a representative of Thakur, Vaidyanath Aiyer & Co; the Statutory Auditors and a representative of Thakur & Co; Concurrent Auditors are permanent invitees to the Audit Committee meetings.

### BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges including their role, powers and duties, quorum for meeting and frequency of meetings. The Committee is responsible for effective supervision of the financial reporting process, ensuring financial, accounting and operating controls and ensuring compliance with established policies and procedures. Audit Committee also determines adequacy of internal control and ensures its effectiveness. It identifies, defines and categorises all the risks that the Company faces. The internal control system is comprehensively reviewed, evaluated and updated on going basis. It facilitates imbedding of the self audit process in the work flow along with supporting the business objectives. The financial results for each quarter are reviewed by the Audit Committee before being placed to the Board of Directors for approval.