



26th
Annual
Report
1998-'99

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CANARA STEEL LIMITED



Canara Steel Limited

Regd. Office: SYNDICATE HOUSE, UPENDRA NAGAR, MANIPAL - 576 119

TWENTY SIXTH ANNUAL REPORT 1998-'99

BOARD OF DIRECTORS

Chairman	SRI T. RAMESH U. PAI
Vice Chairman	SRI T. SUDHAKAR PAI
Managing Director	SRI A.K. SINHA
Directors	SRI S. SANTHANARAMAN
	SRI K.K. RAO
	SRI P.MOHANRAM
	(IDBI Nominee)

Registered Office	Syndicate House, Manipal - 576 119, D.K.
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Works	1. Industrial Area, Baikampady, Mangalore - 575 011, D.K.
	2. Rolling Mill Division, Lohanidhi Yeyyadi Padavu, Konchady P.O. Mangalore - 575 008, D.K.

Auditors	KAMATH & RAU Chartered Accountants, Mangalore - 575 003, D.K.
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Bankers	STATE BANK OF INDIA
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Canara Steel Limited

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the members of the Canara Steel Limited will be held at Manipal Pre-University College Auditorium, Manipal-576 119 on Wednesday the 29th Sept. 1999 at 11.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors.
2. To appoint a director in place of Sri. T. Ramesh U. Pai. who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS:

4. To approve the payment towards Provident fund contribution at the rate of 12% of the basic salary to the Managing Director and to consider and if thought fit, to pass with or without modification, the following as an ordinary resolution.

RESOLVED THAT payment towards the Provident fund contribution at the rate of 12% of basic salary to the Managing Director be and hereby approved.

NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- b. The instrument of proxy must reach the Registered Office of the Company, duly completed, not less than 48 hours before the time of commencement of the meeting.
- c. The Register of Members and Share Transfer Books of the company will remain closed from ~~3rd June, 1999 to 9th June, 1999.~~ - 27th Sept, 1999 to 28th Oct, 1999
- d. Members are requested to kindly bring their copies of the Annual Report to the meeting.
- e. Members are requested to kindly notify any change in address immediately to the Company's Registered Office at Manipal.
- f. Explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of the Special Business is attached.

Regd. Office : " Syndicate House"

Manipal - 576 119.

By the order of the Board of Directors

Date : 8th May, 1999.

A.K. Sinha
Managing Director



Canara Steel Limited

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

Item No.4 :

Sri A.K. Sinha was appointed as the Managing Director for the Company in the General Meeting held on 26th September 1996 at 4.P.M. at the Nehru Memorial Library Hall, Manipal - 576 119. The terms of his appointment provided for a provident fund contribution @ 10% of the basic salary.

However due to change in the Central Govt. rules regarding P.F. contribution, the company started paying the P.F. contribution @ 12% of basic salary with effect from 1st April 1997. Hence this resolution is proposed.

None of the Directors is concerned or interested in the resolution.

Regd. Office: " Syndicate House"

Manipal - 576 119.

By the order of the Board of Directors

Date :8th May, 1999

A.K. Sinha
Managing Director.

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DIRECTORS' REPORT

To the Members,

The Directors hereby present the 26th Annual Report on the business and operations along with audited statement of accounts of your Company for the year ended 31st March 1999.

STATE OF AFFAIRS:

Owing to the continued closure of your factory during the year ended 31st March 1999, even though we were able to minimise the expenses and curtail the cost, wherever possible, in view of heavy fixed overheads, your company continued to suffer heavy financial loss for the said year.



Canara Steel Limited

DIRECTORS' REPORT (Contd..)

FINANCIAL RESULTS:

	Year ended 31st March 1999 (Rs. in Lakhs)		Year ended 31st March 1998 (Rs. in Lakhs)	
Sales		14.58		416.81
Profit/Loss (-) before interest and depreciation		(-) 414.50		(-) 149.21
Less: Interest	138.08		183.50	
Depreciation	32.94	171.02	35.09	218.59
Profit/Loss (-) for the year		(-) 585.52		(-) 367.80
Add: Surplus/Deficit (-) of previous year		(-) 777.88		(-) 410.08
		(-) 1363.40		(-) 777.88

DIVIDEND:

In view of continuous losses suffered by your Company in the preceding years and of the loss during the year, your Directors regret their inability to recommend any Dividend for the year ended 31st March 1999.

OPERATIONS:

During the year under review, all the Steel Plants including mini steel plants continued to face adverse conditions in the market due to severe recession in demand for construction steel, exorbitant input costs, in particular, for electricity, graphite electrodes and other related raw materials and consequent downward trend in the prices for steel products and also the power cut imposed by the Karnataka Electricity Board. The turnover of the Company was Rs.14.58 lakhs as against Rs.416.81 lakhs in 1997-98. The loss for the year is Rs.585.52 lakhs as against the loss of Rs.367.80 lakhs for 1997-98. Your company's manufacturing operations already ceased effective from September 1997 except for occasional maintenance owing to the unviability, both economically and commercially, of the operations and the Company gave a closure notice with effect from 29.06.1998.

REFERENCE TO BIFR:

Your company became a potentially sick company as on 31st March 1998 as per Sick Industrial Companies (Special Provisions) Act, (SICA), 1985 and accordingly your company forwarded the report in Form 'C' to BIFR in October, 1998. Moreover, your company also has become a Sick Industrial Company, as on 31st March 1999 as per the provisions of SICA, 1985 and hence necessary formalities are being completed in making a reference to BIFR in 'Form A'.

INDUSTRIAL RELATIONS:

Your Company continued to enjoy good industrial relations with the workers even though the factory unit stood closed from 29-6-1998. While your company has made full and final settlement in respect of 3 workers, closure compensation has also since been paid to all the workers.



Canara Steel Limited

DIRECTORS' REPORT (Contd..)

FIXED DEPOSITS:

39 fixed deposits with the Company amounting to Rs.2.36 lakhs were outstanding as on 31st March 1999, out of which, 35 fixed deposits amounting to Rs.2.21 lakhs matured but remained unclaimed.

PARTICULARS OF EMPLOYEES:

The particulars of Employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri. T. Ramesh U. Pai retires by rotation and is eligible for reappointment.

AUDITORS AND AUDITOR'S REPORT:

Messrs Kamath & Rau retire as Auditors of the Company and being eligible, have indicated their availability for reappointment as Auditors for the year 1999-2000.

With reference to the Auditors Observations under "Manufacturing & Other Companies (Auditors Report) order (MAOCARO), 1988" in paragraphs 11 and 13 with regard to the delays in the payment of interest and in the deposit of Provident Fund and E.S.I. dues respectively, Complete Stoppage of the Company's operations have resulted in the delay. However, there have been no arrears as at the end of the financial year.

With reference to the observation in para 12, the necessity of an Internal Audit System was not felt as the Company's Production operations already ceased.

SECTION 217(1) (e) OF THE COMPANIES ACT, 1956:

In accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, the required information relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed to the Directors Report.

ACKNOWLEDGEMENT:

Your Directors take this opportunity to express their sincere gratitude to the Government of India, Government of Karnataka, Industrial Development Bank of India, State Bank of India, Maha Rashtra Apex Corporation and other institutions for their continued assistance and active support in the activities of the Company. Your Directors also wish to place on record their appreciation of the dedicated services rendered by the employees of the Company during the year under review and look forward to receiving their continued co-operation in future also.

For and on behalf of the Board of Directors

Bangalore - 560 042
Date: 13th April, 1999

T. SUDHAKAR PAI
Vice Chairman

A.K. SINHA
Managing Director



Canara Steel Limited

ANNEXURE TO THE DIRECTORS' REPORT

Statement showing the particulars of Employees of the Company as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Board of Directors Report for the year ended 31st March, 1999.

Name	:	Sri A.K. Sinha
Designation	:	Managing Director
Age	:	58 Years
Qualification	:	B.E. (Metallurgy)
Experience	:	36 Years
Previous Employment	:	CEO, Sesa Goa Industries Ltd., Goa
Date of Commencement	:	26-6-1996
Nature of Employment	:	Contractual
Remuneration	:	Rs.3,42,600/-

Note: The remuneration includes Salary, Provident Fund Contribution, Value of Perquisites and Medical Reimbursement.

ANNEXURE TO THE DIRECTORS' REPORT UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 (DISCLOSURES)

A. CONSERVATION OF ENERGY:

As there have been no production operations during the financial year 1998-99, there was no energy consumption and accordingly Form 'A' is furnished below:

FORM A

A) Power and Fuel Consumption	Current Year (1998-99)	Previous Year (1997-98)
1. Electricity:		
a) Purchased		
Unit (KWH)	Nil	7,02,261
Total amount (Rs.)	Nil	71,66,566
Rate/Unit	Nil	10.20
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	Nil	14,18,560
Units per liter of Diesel Oil	Nil	3.09
ii) Through Steam Turbine/Generator	N.A.	N.A.
2. Coal (Specify quantity and where used)	N.A.	N.A.
3. Furnace Oil	Nil	Nil