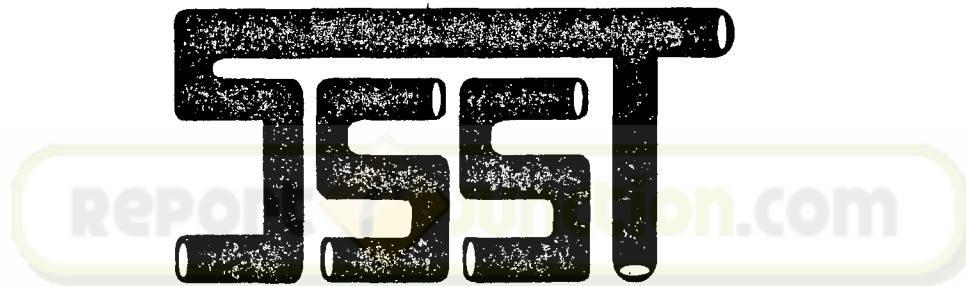


# ***SRI SARBATI STEEL TUBES LIMITED***

CHENNAI

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		



*Annual Report  
and Accounts for the year ended  
31st March 1998.*

**14**

**BOARD OF DIRECTORS**

Shri. Premchand Goyal (Chairman)  
Shri. G.C. Bhattacharjya  
Shri. A.J. Menon  
Shri. Anand Agarwal  
Shri. Asok Kumar (Whole-time Director)  
Shri. Vinay Goyal (Managing Director)  
Shri. Nitin Goyal  
(Alternate to Shri. A.J. Menon)

**COMPANY SECRETARY**

Shri. T.N.Sridharan

**AUDITORS**

M/s. Abhay Jain & Co.,  
Chartered Accountants,  
16, Sunkurama Street, Chennai - 600 001.

**BANKERS**

State Bank of India  
Bharat Overseas Bank Ltd.  
The Bank of Rajasthan Ltd.  
State Bank of Indore

**REGISTERED OFFICE**

Hussain Mansion, II Floor,  
45, Greams Road,  
Chennai 600 006.

**WORKS**

Sedarpet Industrial Estate,  
Mailam Road, Pondicherry 605 101.

Karasur Village,  
Villianur Commune, Pondicherry.

**SHARE TRANSFER AGENTS**

M/s. Cameo Share Registry  
(A Division of MCC Finance Ltd.)  
"Subramanian Building"  
1, Club House Road,  
Chennai - 600 002.  
Ph: 8522465, 8528390  
Fax: 044-8520129



### NOTICE

**NOTICE** is hereby given that the 14th Annual General Meeting of the Company will be held on Tuesday the 1st September, 1998 at 11.30 a.m. at Ram Sahaimal Sahuwala & Sons Charitable Trust, 24 Cathedral Garden Road, Chennai - 600 034 to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account for the year ended as on that date together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in the place of Sh.A.J.Menon, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sh.Anand Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. M/s.Abay Jain & Co., Chartered Accountants, Chennai, who retire and are eligible for re-appointment.

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By Order of the Board  
for SRI SARBATI STEEL TUBES LIMITED,

Place : Chennai 600 006.

Date : 26th June 1998.

**T.N.SRIDHARAN**  
COMPANY SECRETARY

#### NOTES :

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.THE PROXIES SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 28/8/97 to 01/08/98 (both days inclusive).
3. Members are requested to intimate any change in their addresses registered with the Company quoting their respective folio number(s).
4. Members/Proxies are requested to bring their copies of the Annual Report for the meeting.

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 14th Annual Report together with the audited accounts for the year ended 31st March, 1998.

(Rs. in lacs)

	1997-98	1996-97
Gross Income	5138.82	6046.70
Profit before depreciation and tax	68.40	53.96
Less: Depreciation	38.02	32.37
Profit before taxation	30.38	21.59
Less: Provision for taxation	-	-
Profit after taxation	30.38	21.59
Balance brought forward from last year	2.98	1.39
Amount available for appropriation	33.36	22.98
<b>APPROPRIATIONS :</b>		
Provision for Dividend	-	-
Transfer to General Reserves	33.00	20.00
Balance carried forward to next year	0.36	2.98
	33.36	22.98

**OPERATIONS**

During the year under review, your company had recorded a moderate performance with Sales and other income at Rs. 5138.82 lacs as compared to Rs. 6046.70 lacs during previous year. However, your company achieved profit before depreciation at Rs.68.40 lacs as compared to Rs. 53.96 lacs in the previous year.

The drop in the performance during the year under review was mainly on account of the severe liquidity crunch which your company had suffered due to the cash outflow of about Rs.4 crores from the operational cycle, during the previous year, due to the arrest of the ship NIKO K carrying import consignment. Your company filed insurance claim during the previous year but the claim is yet to be settled by China Insurance Company.

To bridge the fund flow gap in the operational cycle on account of the above reason, your directors had approached the bankers for financial assistance to the extent of Rs. 300 lacs. State Bank of India, the leader of the consortium bankers had sanctioned Rs. 120 lacs and the other consortium banks, Bank of Rajasthan Ltd., Bharat Overseas Bank Ltd., State Bank of Indore, have also expressed their willingness to extend the necessary assistance. With this financial support from the bankers, your Directors are confident of achieving improved performance in the coming years.

Your Company had triggered the skelp/HR Strip production from the Flat Products Division, implemented under Backward Integration programme. Despite the liquidity problem, your company had achieved a production of 9485 MT of Skelp against 8749 MT in the previous year.

**EXPORT PERFORMANCE**

Your Company continued to enjoy the Export House status. Your Company achieved an export sales turnover of Rs. 1768.88 lacs as compared to Rs. 1900.44 lacs during previous year. The drop in export sales was owing to the severe liquidity crunch suffered by your company. Also due to non availability of vessels, the exports were delayed on several occasions, with the result the finished goods were kept in the ports, awaiting vessel. This had blocked the funds required for operations. Apart from the above, the exports suffered due to devaluation of currency in the South Asian countries, resulting in severe competition in the international prices of steel pipes supplied especially from Thailand, Indonesia.

However, with the recovery in the South Asian Currency rates, the international prices had started stabilising and your Directors are confident of achieving better export performance in the current year.

**EXPLANATION TO AUDITOR'S REPORT**

With regard to the remark under Sl. No. 18 in the Annexure to Auditor's Report, in view of severe liquidity crunch suffered by your company on account of reasons mentioned elsewhere in this report, the Income tax amount of Rs. 2965848 could not be met in time. Your company had approached the department seeking permission for payment of the said amount in a phased manner.

**PROJECTIONS Vs PERFORMANCE**

The projections as per SBI Caps appraisal reported in the Company's Prospectus dated 7th January 1995, with corresponding figures of actuals as per the audited accounts for the year ended 31st March 1998, are as under :



(Rs. in lacs)

	Projections	Actuals
Total Income	7500.00	5138.79
Profit after tax	608.43	30.38
Earnings per Share Rs.	12.72	0.60

The variation in the performance against the projections as mentioned above, was mainly owing to the increase in input costs of major raw materials with no corresponding increase in finished goods price due to general recession in the market and also due to continuous liquidity crunch suffered by the company as explained elsewhere in this report.

**DEPOSITS**

The outstanding deposits/unsecured loans from shareholders and others as at 31st March, 1998, aggregated to Rs. 125.93 lacs and there are no overdue unclaimed deposits as at 31st March, 1998.

**DIVIDEND**

In view of low profits out of operations during the year under review and also due to continuous liquidity crunch which your company is passing through, your Directors regret that no dividend could be recommended for the year under review. Out of total profits available for appropriation, your directors had transferred Rs. 33.00 lacs to General Reserves and the balance of Rs. 0.36 lacs was carried forward.

**DIRECTORS**

Mr. A.J. Menon and Mr. Anand Agarwal shali retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend for their reappointment at the ensuing Annual General Meeting.

**AUDITORS**

The Auditors M/s. Abhay Jain & Co., hold office till the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. The Auditors have confirmed to the effect, that their reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

In terms of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 information relating to Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo are given in the Annexure, forming part of this Report.

**PARTICULARS OF EMPLOYEES**

Since there are no employees drawing more than Rs. 25,000/- p.m., or Rs. 3,00,000/- p.a. details required under Section 217 (2A) of the Companies Act, 1956 and the rules framed thereunder are not furnished.

**ACKNOWLEDGEMENT**

The Directors thank the Consortium of bankers, State Bank of India, The Bank of Rajasthan Ltd, Bharat Overseas Bank Ltd, and State Bank of Indore for the kind cooperation and continued support extended by them. Your Directors also thank the Shareholders, dealers for the confidence reposed in the Company.

The Directors place on record their appreciation for the dedicated and sincere services rendered by the employees at all levels of the company.

By Order of the Board

Place : Chennai 600 006  
Dated : 26th June, 1998

**PREMCHAND GOYAL**  
CHAIRMAN

## ANNEXURE TO THE DIRECTORS' REPORT

Information under 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 and forming part of the Directors Report for the year ended 31st March 1998.

**A. CONSERVATION OF ENERGY****(a) Energy conservation measures taken :**

Your Company has made efforts to increase utilisation per unit of electricity and furnace oil for its production purpose.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy**

Your company has not made any additional investments due to heavy liquidity crunch.

**(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods**

There was overall savings in energy consumption per tonne of production.

**(d) Total Energy Consumption per unit of production as per Form A in respect of Industries specified in the schedule.**

FORM A

(Disclosure of particulars with respect to conservation of energy)

	1997-98	1996-97
<b>A. Power and Fuel Consumption</b>		
1. Electricity		
(a) Purchased : Unit	28,58,343	27,93,344
Total amount	60,30,236	58,16,412
Rate / Unit	2.11	2.08
(b) Own Generation		
(i) Through diesel generator		
Unit	36,146	1,59,680
Units/ltr. of diesel oil	6.70	6.70
Cost/unit (Rs.)	1.60	2.60

	1997-98	1996-97
2. Furnace oil		
Quantity (k.ltrs)	727.950	650.000
Total amount	46,58,000	41,57,282
Average rate	Rs.6.40	Rs.6.40

**B. Consumption per MT of Production**

	1997-98	1996-97
Products (with details) unit		
Electricity (Units)	47.57	55.75
Furnace Oil (Its)	13.06	12.05
Coal (specify quality)	-	-
Others	-	-

**B. TECHNOLOGY ABSORPTION :****(e) Efforts made in technology absorption as per Form B :**

FORM B

**(Disclosure of Particulars with respect to Technology Absorption)****A. Research and Development (R & D) :**

1. Specific areas of R & D activities carried out by the Company : NIL

2. Benefits derived as a result of the above R & D work : NIL

3. Future plan of action :

The R & D Department of the Company is constantly endeavouring to innovate suitable technology for reduction in acid consumption in the process of galvanised pipe production and to achieve higher production efficiency and improved quality of output.

4. Expenditure on Research and Development

NIL



## **B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :**

### **1. Efforts, in brief, made towards technology absorption, adoption and innovation :**

Your Company adopted indigenous technology for production of black & GI pipes. However, innovation by way of change in proportion and standard of chemical used in pre-treatment and blanket flux was continuously experienced and adopted.

In Flat products Division, with the relining and relocation of the burners there was improvement in the production with lesser fuel consumption. Efforts are also made to improve the design of the furnace for further reduction in the cost of production.

Your company is taking special efforts to develop technological improvement to save zinc on galvanising smaller diameter pipes. Also constant efforts are being taken to reduce the white rust formation on the finished galvanised pipes.

### **2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.,**

With the above efforts, your company was able to achieve improved efficiency in production, reduce fuel consumption, saving in zinc consumption on smaller diameter pipes, which had contributed for reduction in the cost of production.

The improved production of HR Strip/Skelp produced from Flat Products Division has contributed as a good import substituted raw material for pipe production.

## **C. Foreign Exchange Earnings and Outgo**

Foreign exchange used	Rs. 656.36 lacs
Foreign exchange earned	Rs. 1768.88 lacs

By order of the Board

Place : Chennai 600 006  
Dated : 26th June, 1998

**PREMCHAND GOYAL**  
CHAIRMAN

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