

SRI SARBATI STEEL TUBES LIMITED

CHENNAI



***Annual Report
and Accounts for the year ended
31st March 2002***

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Sri Sarbati Steel Tubes Limited

BOARD OF DIRECTORS

Shri. Premchand Goyal (Chairman)
Shri. Vinay Goyal (Managing Director)
Shri. A.K. Das (Whole-time Director)
Shri. Vinod Seth (Whole-time Director)

COMPANY SECRETARY

Shri. D. Sundarakrishnan

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

WORKS - TUBE MILL
- FLAT PRODUCTS
Chennai - 600 101.
Chennai.

SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Ltd.,
"Subramanian Building"
1, Chokkikulam Road,
Chennai - 600 002.
Ph : 044-2520129, 2520390
Fax : 044-2520129

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Annual Report
and Accounts for the year ended
31st March 2002

Sri Sarbati Steel Tubes Limited
Regd. Office: 163/1, Prasad Road,
11 Floor, Chennai - 600 006

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Company shall be held on **Thursday the 28th November, 2002 at 12:00 Noon at Narada Gana Sabha (Mini Theatre) 11th Floor, Prasad Road, Chennai - 600 006** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2002 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 **Shri Premchand Goyal**, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration. **M/s Abhay Jain & Co., Chartered Accountants, Chennai** retire at the conclusion of the Annual General Meeting and are eligible for reappointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution: "RESOLVED that pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII thereof, and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby given for the appointment of **Mr. Vinod Seth** as **Whole time Director** of the Company, for a period of 5 years with effect from 20.01.2002.
- a) Salary, dearness allowances Not exceeding Rs. 21, 000/- per month.
 & Other allowances Rupees twenty lakh thousand only.
- b) Provident Fund, Superannuation Contribution to Provident Fund, Superannuation or Annuity Fund will not be included in the computation of ceiling on remuneration specified above to the extent these are put together and not taxable under the IT Act, 1961.
- c) Gratuity Gratuity payable shall not exceed half a month's salary for each completed year of service.
- d) Other Perquisites Such other perquisites as may be provided by the Company, the valuation of which shall be as per the provisions of the Income Tax Act 1961. The value of such perquisites shall not exceed 100% of his salary.

RESOLVED FURTHER that he will not be paid any sitting fees for attending the meetings of the board of directors or committees thereof.

FOR SRI SARBATI STEEL TUBES LTD

Manoj Kumar Jain

Date: 18th October, 2002

NOTES:

1. ANY 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 OF THE COMPANY. THE PROXIES SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to intimate any change in their addresses registered with the Company quoting their member numbers.
3. Members/Proxies are requested to bring their copies of the Annual Report for the meeting, as the practice of distributing copies of Annual Report at the venue of the meeting has been dispensed with.
4. No gifts will be distributed in the venue of AGM.
5. The Register of Members and the Share Transfer Books will be remain closed from 15th November, 2002 to 20th November, 2002 (Both days inclusive).

Explanatory Statement pursuant to Section 173(2) of the Companies Act is enclosed.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Sri Vinod Seth was appointed as an Additional Director by the Directors at the Board Meeting held on 20th January, 2002. As per the provisions of the Companies Act, he ceases to be a director at this Annual General Meeting. A Notice has been received by the Company from the shareholders of the Company proposing him to be appointed as a Director of the Company.

Sri Vinod Seth is an engineer and has considerable experience in working with Steel Industry. He is being appointed as a Whole time Director of the Company on the terms and conditions set out in the Notice.

No director other than **Mr. Vinod Seth** is interested in this resolution.

The papers connected with his appointment are available at registered office of the Company and can be inspected on any working day during office hours.

VINOD SETH
Managing Director

Sri Sarathi Steel Tubes Limited**DIRECTORS' REPORT**

The Members

Sri Sarathi Steel Tubes Limited (SSSTL)

Your Directors have pleasure in presenting the 18th annual report of your company along with the audited statements of accounts for the year ended on 31st March 2002 and auditors report thereon.

FINANCIAL RESULTS

	(Rs. In Lacs)	31.03.2002	31.03.2001
Net sales & other income	8288.44	10705.98	
Interest & Finance charges	195.15	370.98	
Depreciation	42.84	43.29	
Profit (Loss) for the period	(603.96)	(1415.83)	
Prior period adjustments	-	(38.04)	
Net Profit/(Loss)	(603.96)	(1453.87)	
Balance B/F	(968.81)	0.26	
Balance C/F	(1572.77)	(968.81)	

PERFORMANCE, PLANS AND PROSPECTS

The Company incurred a loss of Rs.603.96 lacs mainly due to sale price of our finished goods not keeping pace with the increase in raw material prices. The position has improved since the closure of the financial year and the Company's performance during the current year is expected to be considerably better than last year.

DIRECTORS

Sri.G. Mohan Kumar and Sri.O.A.Dhandapani, Directors of the Company have resigned from the Board of the Company during the current year. The Board places its warm regards for the services rendered by them to the Company.

Sri.Vinod Seth was inducted into the Board as an Additional Director with effect from 20th January, 2002. He ceases to be a Director as on the date of the AGM. He is being appointed as a Director of the Company at the forthcoming AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2A) as inserted by Companies Amendment Act, 2000 your Directors hereby confirms:

- That in the preparation of the annual account applicable accounting standards have been followed and that there are no material departures;
- That the company has selected such policies and applied them consistently and made judgements and estimates that are reasonably prudent so as to give a true and fair structure of state of affairs of the company at the end of financial year and the profit or loss of the Company for the year under review;
- That the company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions the Companies Act for safeguarding the assets of the company for preventing and detecting fraud and other irregularities;
- That the company has prepared the annual accounts on a "going concern basis".

AUDIT COMMITTEE

Due to the resignation of Sri.G. Mohan Kumar and Sri.O.A.Dhandapani, the Audit Committee was reconstituted and now it consists of the following members:-

- 1) Sri.Premchand Goyal
- 2) Sri.A.K.Das
- 3) Sri.Vinod Seth

The Audit Committee during the year reviewed the financial policy of the Company and it interacted with the Statutory Auditors and Internal Auditors to ensure that the accounts are drawn up as per the provisions of Companies Act and the prescribed Accounting Standards.

FIXED DEPOSITS

During the year, the company neither accepted nor renewed fixed deposits u/s 58A of the Companies Act, 1956.

AUDITORS REPORT

The auditors report and notes on accounts are self-explanatory and therefore, do not call for any comments.

AUDITORS

M/s.Abhay Jain & Co., Chartered Accounts, Chennai are retiring at the forthcoming annual general meeting and being eligible, offer themselves for reappointment.

The company has received a consent letter under section 224(1)(B) from M/s.Abhay Jain & Co., Chartered Accounts, Chennai to act as statutory auditors of the company for the year 2001-2002. Your directors recommend the appointment of M/s.Abhay Jain & Co. Chartered Accountants as statutory auditors of your company for your approval for the current financial year.

REFERENCE TO THE BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION UNDER SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT 1985

As stated in our report last year, the Company has made a reference to BIFR, since the net worth of the Company has been totally wiped out. The Company in the meanwhile has given a Rehabilitation Proposal to the Consortium Banks and the same is under discussion with them. BIFR has not till date fixed the hearing on the application filed by the Company. The Company is confident of getting the approval of the banks for the Rehabilitation Proposal submitted to them under which the Banks are required to fund an additional sum of Rs.500 lacs and the Promoters to bring in Rs.200 lacs of additional funds so that the Company can be turned around and made into a profitable company.

We would like to assure the members that all steps are being taken to cut down unnecessary and unproductive expenditure, improve productivity and increase volume of sales which will ensure healthy returns to the shareholders in the years to come.

PARTICULARS OF EMPLOYEES U/S 217 (2A)

The Company has not paid remuneration to the employee of the Company beyond the prescribed under the provisions of Section 217(2A) of the Companies Act, 1956, reach with Companies (particulars of Employees Rules 1973, as amended).

Sri Sarbati Steel Tubes Limited**DISCLOSURE OF PARTICULARS UNDER SECTION 217 (1)(a) OF THE COMPANIES ACT, 1956**

Under the Companies (Disclosure of particulars and Report of Board of Directors) Rules 1988, the detailed information is enclosed as per Annexure.

INDUSTRIAL RELATIONS

The industrial relations during the year have been cordial. The Directors wish to place on record their due appreciation for the devoted services and sincere efforts made by the officers, staff and workers towards the progress of the company.

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information under section 217 (1) (e) of the Companies Act, 1956 ready 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, 2002

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

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

(b) Impact of the above measure 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 products.

(c) Total Energy Consumption per unit of production as per Form A in respect of industrial specified in the schedule FORM A

(Disclosure of particulars with respect to conservation of energy)

	Current year 31.03.2002	Previous year 31.03.2001
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased Unit	49,57,298	56,88,040
Total amount	1,41,66,892	1,22,17,227
Rate/unit	2.86	2.16
(b) Own generation		
(i) Through diesel generator unit	10803	9005
Units/ltr. Of diesel oil	—	—
Cost / unit (Rs)	—	—
2. Furnace Oil		
Quantity (k.ltrs)	12,00,000	1471.600
Total Amount (Rs)	11,84,2111	1,53,77,581
Average rate	9.87	10.45

B. Consumption per MT of Production

	Current year	Previous year
Products (with details) Unit Black and Galvanized Steel Tubes		
Electricity (Units)	118.6	99.77
Furnace Oil (lts)	28.2	25.91
Coal (Specify quality)	—	—
Others	—	—

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to various Departments of Central Government, Government of Tamil Nadu, Pondicherry, Banks, Customers, Shareholders and investors for their unstinted support and assistance and look forward their continuing support and encouragement for a brighter tomorrow.

By order of the Board
For SRI SARBATI STEEL TUBES LIMITED

Place: Chennai

Date: 18.10.2002

Sd/-
PREMCHAND GOYAL

Chairman

A. TECHNOLOGY ABSORPTION:**(a) 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:**

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

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

Pursuant to the above efforts, the quality of output has improved.

3. Future plan of action:

Your company has inducted new technical personnel to study and improve the R & D efforts so as to achieve good standards and to bring in effective quality control measures to achieve international standards in product quality.

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

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

The 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 earned	Rs. 513.07 Lakhs
Foreign exchange used	Rs. 5740 Lakhs

By order of the Board

For SRI SARBATI STEEL TUBES LIMITED

Place: Chennai

Date: 18.10.2002

Sd/-

PREMCHAND GOYAL

Chairman

Sri Sarbati Steel Tubes Limited**AUDITOR'S REPORT
TO THE MEMBERS OF SRI SARBATI STEEL TUBES LIMITED, CHENNAI**

We have audited the attached Balance Sheet of M/S SRI SARBATI STEEL TUBES LIMITED, CHENNAI - 600 108 as at 31st March, 2002 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management.

We conducted our audit in accordance with auditing standards generally accepted in India. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion proper books of accounts as required by Law have been kept by the company, so far as appear from our examination of the books.

4. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts
5. The Balance Sheet and the Profit & Loss account referred to in this report comply the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956
6. As given in the notes para no 5 of the notes on accounts the company has written off Rs. 100.95 Lakhs on account of obsolete/slow moving stores has been debited to Profit & Loss Account. Except this in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account read together with and subject to the notes thereon, 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 the Balance Sheet of the state of affairs of the company as at 31st March, 2002 and
- (ii) in the case of the Profit & Loss Account of the Loss for the year ended on that date.

for ABHAY JAIN & CO,
Chartered Accountants,

Place : Chennai
Dated : 18.10.2002

A.K. JAIN
Proprietor

ANNEXURE TO THE AUDITORS' REPORT

1. The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. As per the Information & Explanations given to us the Fixed Assets of the Company have been physically verified by the Management during the period at reasonable intervals and no material discrepancies have been noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Stock of Finished Goods, Stores, Spares Parts, and Raw Materials have been physically verified by the management during the period. In our opinion the frequency of verification is reasonable
4. In our opinion and according to the information and explanations given to us, the procedure for physical verification of Stocks followed by the company are reasonable and adequate in relation to the size of the company and nature of its business.
5. According to information and explanation given to us there are no material discrepancies were noticed on Physical Verification of stocks as compared to book records.
6. In our opinion and on the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion, the Company has taken loans, Secured and / or Unsecured from companies, firms or other parties listed in the registered maintained under section 301 of the Companies Act, 1956, and / or from the Companies under the same management as defined under sub - section (1B) of section 370 of companies act, 1956 where the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of company.