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*43rd  
Annual  
Report  
1997-98*

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**ELECTROSTEEL CASTINGS LIMITED**



## **ELECTROSTEEL CASTINGS LIMITED**

### **REPORT AND ACCOUNTS**

FOR THE YEAR ENDED 31ST MARCH, 1998.

#### **Directors**

P. K. KHAITAN  
Chairman

B. KHAITAN  
V. K. LAMBA  
J. SANYAL

N. C. BAHL  
Wholetime Director

S. Y. RAJAGOPALAN  
Director & Secretary

M. KEJRIWAL  
Jt. Managing Director

U. KEJRIWAL  
Managing Director

#### **Auditors**

LODHA & CO  
Chartered Accountants

#### **Solicitors**

KHAITAN & CO

#### **Bankers**

Punjab National Bank  
ANZ Grindlays Bank Ltd.  
Banque Nationale De Paris

#### **Works**

Khardah (West Bengal)  
Ghaziabad (U.P.)  
Elavur (Tamil Nadu)

#### **Administrative Office**

Stephen House, 4, B.B.D. Bag (East)  
Calcutta 700 001

#### **Registered Office**

Rajgangpur (Orissa)

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## NOTICE

Notice is hereby given that the Forty third Annual General Meeting of the Company will be held at the Registered Office of the Company at Rathod Colony, Rajgangpur, Dist. Sundergarh, Orissa on Thursday, the 13th August, 1998 at 11.30 A.M. to transact the following business:

1. To receive and consider the Directors' Report and Audited Statement of Accounts for the year ended 31st March, 1998.
2. To declare a dividend.
3. To elect a Director in place of Shri P. K. Khaitan who retires by rotation and is eligible for re-election.
4. To elect a Director in place of Shri S. Y. Rajagopalan who retires by rotation and is eligible for re-election.
5. To appoint Auditors and fix their remuneration.

By Order of the Board of Directors  
for Electrosteel Castings Limited

Calcutta  
June 22nd, 1998

S. Y. RAJAGOPALAN  
Secretary

## NOTES

- a) Every shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a shareholder. The proxies should, however be deposited at the Registered Office of the Company not later than 48 hours before commencement of the meeting.
- b) The Register of Share Transfer of the Company will remain closed for accepting Share Transfer applications from 31st July 1998 to 13th August 1998.
- c) The dividend, when declared, will be paid to those shareholders, whose names appear in the Register of Members on 13th August 1998. Dividend Warrants are expected to be posted by 17th August 1998.
- d) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend for the year ended 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrant for the said year are requested to claim the amount from the Registrar of Companies, Cuttack, Orissa.

## 10-YEAR FINANCIAL HIGHLIGHTS

(Rs. in lacs)

Year	Turnover	Gross Profit	Depreciation	Taxes on Income	Profit after taxes	Gross Block	Net Block	Capital employed
*1988-89	33,52.32	3,13.65	85.31	67.50	1,60.84	17,41.85	5,97.94	19,80.48
1989-90	53,42.80	4,52.43	1,30.55	1,40.00	1,81.88	19,02.99	7,13.39	26,11.67
1990-91	66,64.05	6,41.07	1,39.60	2,55.00	2,46.47	19,59.53	7,26.98	29,62.48
1991-92	72,13.02	6,30.60	1,29.20	2,50.00	2,51.40	21,19.15	7,93.49	38,48.10
1992-93	112,68.10	6,64.33	1,31.64	2,25.00	3,07.69	37,53.75	24,45.44	77,22.67
1993-94	102,23.87	7,43.55	1,78.77	—	5,64.78	57,45.23	43,47.82	91,51.60
1994-95	171,83.03	15,55.78	4,66.69	3,25.00	7,64.09	69,77.32	52,49.96	115,58.62
1995-96	224,37.92	19,32.20	5,37.08	2,50.00	11,45.12	107,10.99	86,80.97	160,86.02
1996-97	313,47.84	42,85.37	7,16.40	7,50.00	28,18.97	142,91.71	116,51.34	249,18.07
1997-98	332,23.27	57,52.44	10,01.78	9,25.00	38,25.66	163,78.10	127,91.81	283,52.69

\* For 9 months only



## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in submitting their Forty-Third Annual Report with the Audited Accounts of the Company for the year ended 31st March, 1998.

### Accounts

The Company has maintained its record of continuing growth for yet another year with the year's operations posting a profit, after meeting all expenses of operation and management and interest charges, but before depreciation, of Rs. 57,52,44,458. The following provisions and adjustments have been made :

	Rs.	Rs.
Gross Profit		57,52,44,458
Less : Depreciation	10,01,78,030	
Provision for Taxation	<u>9,25,00,000</u>	<u>19,26,78,030</u>
		38,25,66,428
Add : Balance brought forward from previous year		<u>7,57,65,789</u>
		45,83,32,217

Which your Directors have appropriated as under :

Debenture Redemption Reserve	4,55,00,000	
General Reserve	23,00,00,000	
Proposed Dividend	8,07,61,600	
Tax on Proposed Dividend	<u>80,76,160</u>	<u>36,43,37,760</u>
Balance of Profit carried forward to Balance Sheet		<u>9,39,94,457</u>

### Dividend

Your Directors recommend an increased dividend at the rate of Rs. 10/- per share for the year ended 31st March, 1998. The dividend, if declared, will absorb Rs.8,88,37,760/- inclusive of tax of Rs.80,76,160/- on distribution of dividend.

### Operations

#### Khaddah Unit

The Co-generation Power Plant was commissioned on 27.10.1997. The Mini Blast Furnace produced metal exceeding the rated capacity during the year.

Production of Ductile Iron Pipe improved further by 5.9% or 3182 tonnes to 57110 tonnes. Production of Cast Iron Pipes has been maintained at 48884 tonnes as against 50245 tonnes in the preceding year.

#### Elavur Unit

The production of this unit has marginally improved by 4131 tonnes to 45746 tonnes.

#### Ghaziabad Unit

The working of this unit has not been satisfactory. Diversification into Ductile Iron Pipe Fittings production is under implementation.

**General**

The highlight of the performance is the achievement of the rated capacity of Mini Blast Furnace and Captive Power Plant. While this has improved the profitability, the levy of 4% special additional duty on all imports and limiting Modvat set off to 95% of excise duty paid on inputs will increase the cost of production. The Company does not foresee any contraction in demand for D. I. Pipes in the immediate future in the wake of economic sanctions of G-8 Nations although it is difficult to assess the long term impact of such sanctions in the implementation of foreign-aided water supply schemes in India.

Exports of Ductile Iron Pipes are looking up and the exports during the current year will further show a reasonable improvement.

As regards the setting up of the second Ductile Iron Pipe Project, a final decision on location has not yet been taken and pending final decision, the funds raised for the project Rs.26.25 crores have been earmarked and invested in readily encashable assets.

**Energy, Technology and Foreign Exchange**

Statement containing necessary information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure 'A'.

**Labour Relations**

During the year under review the industrial relations with the staff and workmen have remained cordial.

**Officers**

Particulars of Employees as required by the Companies (Particulars of Employees) Rules, 1975 are enclosed as Annexure 'B'.

**Particulars of Compliance with Clause 43 of the Listing Agreement**

Comparative statement showing the variations between the projected and actual profitability in accordance with Clause 43 of the Listing Agreement with the Stock Exchange is given in Annexure 'C' forming part of the Directors' Report.

**Subsidiary Companies**

The Statement required under Section 212 of the Companies Act, 1956 in respect of the subsidiaries of the Company is attached hereto.

**Directors**

Shri P. K. Khaitan and Shri S. Y. Rajagopalan retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

**Auditors**

The retiring Auditors, Messrs. Lodha & Co. are eligible for re-appointment.

On behalf of the Board

Calcutta  
June 22, 1998

P. K. KHAITAN  
Chairman



**ANNEXURE 'A' TO DIRECTORS' REPORT**

Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

**A. Conservation of Energy**

- (a) Energy Conservation measures taken : Use of Blast Furnace Gas for production of Electricity has substantially contributed to the conservation of Energy.
- Installation of Mini Heel Furnaces has resulted in improvement of power factor.
- Better combustion system has been installed in CIP Annealing Furnace to reduce oil consumption.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy : Installing and commissioning Channel Furnace for holding and super heating of liquid iron.
- Total Productive Maintenance and Quality Circle Activities have been taken up more aggressively. On the basis of above, various investments are being made on a continuous basis on installation of new equipments and modification of existing equipments wherever necessary to reduce energy consumption.
- Energy Audit Report is being studied to explore further reduction on energy consumption.
- (c) Impact of measures on (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : These measures have yielded positive results in reducing energy consumption.
- (d) Total energy consumption and energy consumption per unit of production : Form - A enclosed.

**B. Technology Absorption**

- Research & Development (R&D) : Separate account of R&D expenditure is not maintained and the expenses are merged with relevant heads of expenditure.
- The Company's Research & Development wing is fully geared to absorb, adapt & innovate the imported technology on a continuing basis.

**C. Foreign Exchange Earnings & Outgo**

- (a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products & services and export plans : Export of Ductile Iron Pipes is showing an increasing trend and efforts are on to maintain this trend.
- (b) Total foreign exchange used and earned : Foreign Exchange used : Rs. 4711.87 Lacs  
Foreign Exchange earned : Rs. 2418.20 Lacs

## Form - A

Form for disclosure of particulars with respect to conservation of energy : 1997-98

## (a) Power &amp; Fuel

	Current Year ended 31.03.98	Previous Year ended 31.03.97
<b>1. Electricity</b>		
a) Purchased		
Unit (KWH in thousands)	43898.238	34435.021
Total Amount (Rs. in Lacs)	1611.60	1014.79
Rate/Unit (Rs./KWH)	3.67	2.95
b) Own Generation		
i) Through Diesel Generator		
Unit (KWH in thousands)	3723.326	680.814
Unit/Litre of Diesel Oil	3.07	2.91
Cost/Unit Variable (Rs./KWH)	3.27	2.70
ii) Through Steam Turbine Generator		
Unit (KWH in thousands)	5215.899	—
Unit/Litre of Diesel Oil	11.86	—
Cost/Unit Variable (Rs./KWH)	0.95	—
<b>2. Furnace Oil</b>		
Quantity (Kilo Litre)	6538.984	6093.528
Total amount (Rs. in Lacs)	418.29	395.31
Average Rate/Kilo Litre (Rs.)	6396.86	6487.38
<b>3. Coke</b>		
Quantity (MT)	22222.50	29274.332
Total amount (Rs. in Lacs)	966.38	1443.17
Rate/MT (Rs.)	4348.66	4929.80
<b>4. Diesel Oil</b>		
Quantity (Kilo Litre)	7716.061	6400.454
Total Amount (Rs. in Lacs)	670.57	503.28
Average Rate/Kilo Litre (Rs.)	8690.57	7863.23

## b) Consumption per unit of production (MT) :

	Pig Iron	D.I. Pipes	C.I. Pipes	Grinding Media	Castings & Fittings
Electricity (KWH)	170 (185)	384 (270)	73 (83)	1875 (1812)	5470 (2325)
Furnace Oil (Lt.)	— (—)	— (—)	65 (61)	162 (145)	— (221)
Diesel Oil (Lt.)	— (3)	104 (96)	2 (12)	— (—)	— (—)
Coke (Kg.)	— (—)	65 (183)	196 (211)	— (—)	— (—)