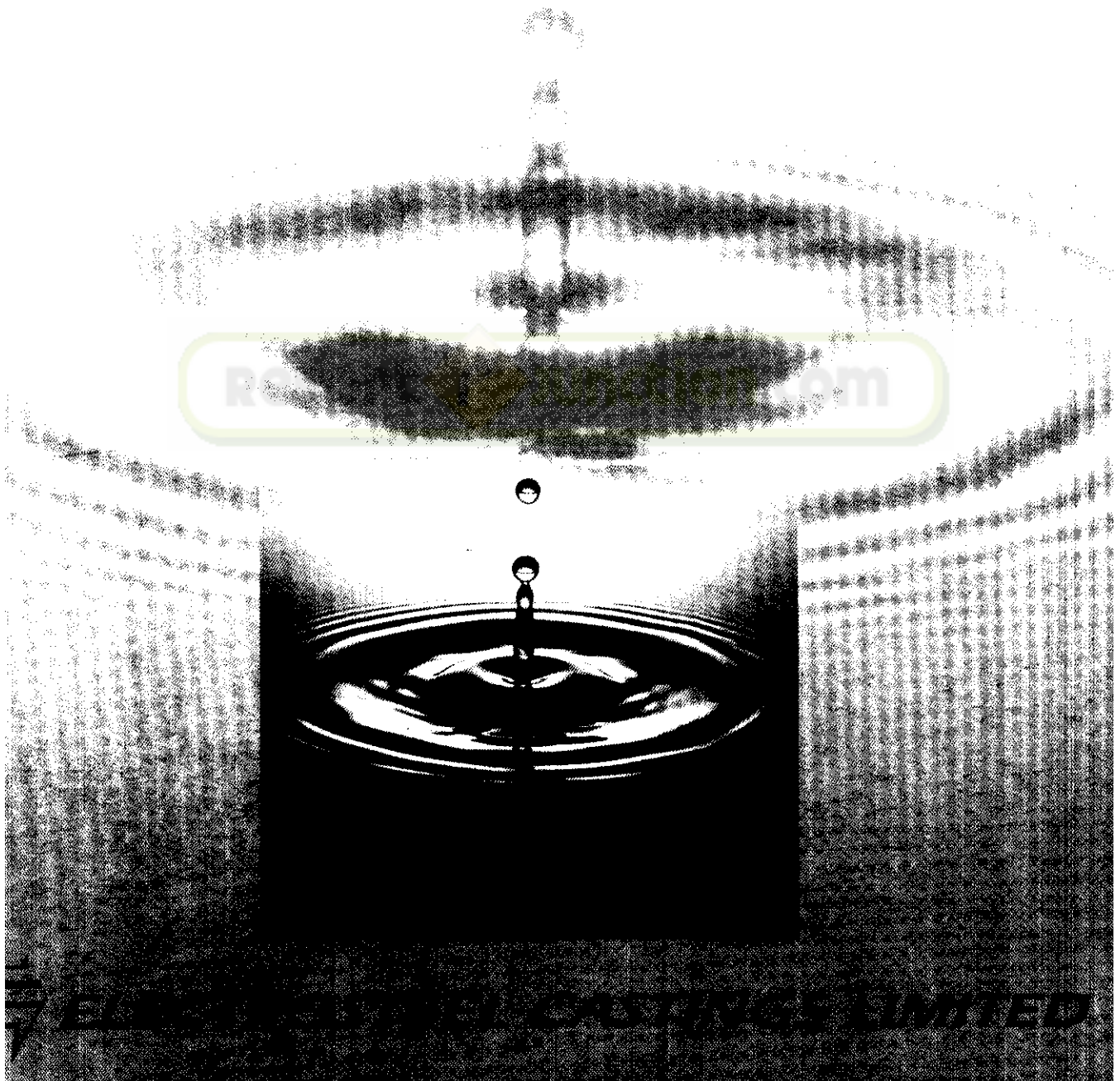


44TH ANNUAL REPORT 1998-99





ELECTROSTEEL CASTINGS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 1999.

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
State Bank of India

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)

Report



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Contents

Directors' Report	3
Financial Highlights	8
Auditors' Report	9
Balance Sheet	12
Profit and Loss Account	13
Schedules	14
Balance Sheet Abstract and Company's General Business Profile	29
Cash Flow Statement	30
Statement U/S 212	32
Subsidiary Companies	33

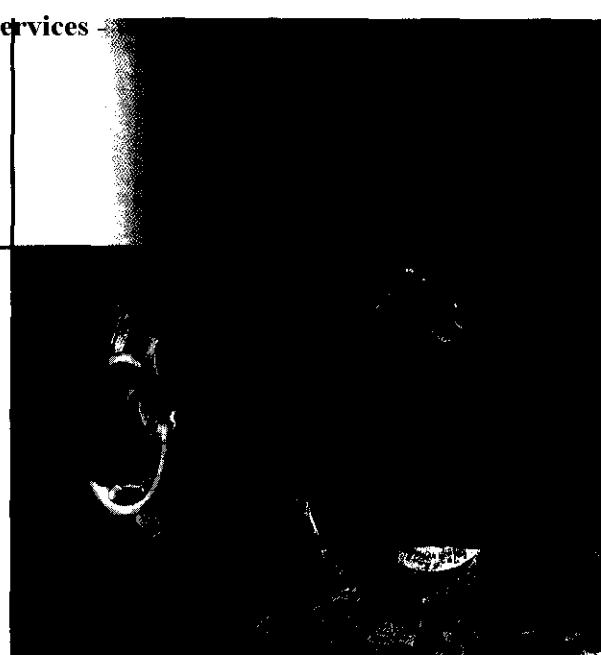
Water is essential but Scarce

Fifty to ninety percent of every living creature is water. In humans seventy five percent of the body is water. A drop of two percent causes pain; a drop of twelve percent death.

Water is as essential for life as the air we breath. And pure drinking water is almost as scarce as pure air. Rapid population growth has continuously decreased each individual's share. Breakneck industrialisation has led to unbridled pollution of what little water that is available. Moreover , wastage levels are high. Corporations routinely lose as much as one third of their drinking water as leakage.

Water is costly

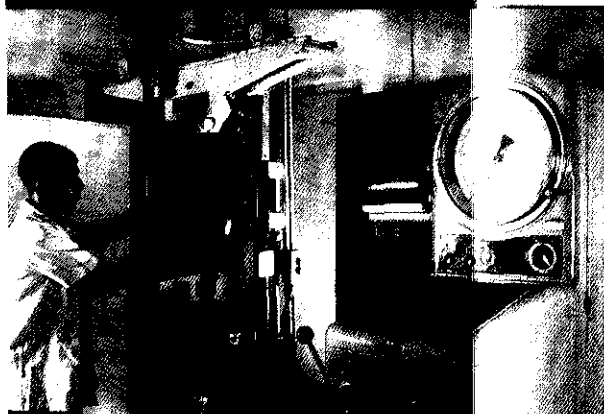
Water is God's gift to us. Yet ensuring that each person gets his fair share of pure, drinkable water is a costly proposition.



DI Pipe being extracted from the spinning machine



Pipe Structural Cross-Over for HPL (Haldia) Raw Water Pipeline (DN600 pipeline)



Tensile test being carried out on DI pipe metal



*Clear Water Rising
Main for PHED,
Andhra Pradesh
(DN 600 pipeline)*

In spite of that till now drinking water has been considered a right, rather than an economic goods, to be delivered free or at a nominal rate.

Governments have feared the political costs of charging people for water. But the cost in health terms of delaying this decision, and consequently being able to afford no more than highly impure water is far more. For instance eighty percent of infant mortality and seventy five percent of all illnesses in developing countries can be directly traced back to drinking unsafe water.

In any case, the poorest are already paying for water sold by vendors. This costs 20 to 100 times more than what middle income neighbourhoods are paying for piped water. Given the importance of water in our lives and the sorry state of our water resources, the least we can do is to minimize the waste of this precious resource.

Electrosteel - Taking Responsible Action :

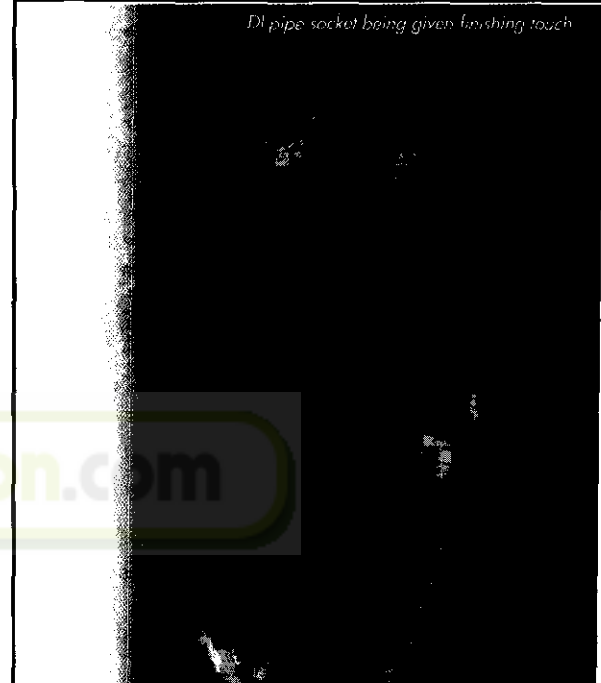
Electrosteel's Ductile Iron Pipes have earned their reputation of toughness and flexibility the hard way. They have proved themselves in drinking water and wastewater schemes even in the remotest corners of the Indian subcontinent. From the inaccessible mountains of Mizoram to the burning deserts of Rajasthan, to areas where shifting soils and high traffic load are major problems, you will find Electrosteel's Ductile Iron Pipes holding their own against the elements. These pipes are helping to establish a water transportation network that ensures sufficient supplies of pure water for drinking, and industrial grade water for factories.

Tough pipes that go a long way in water conservation and pollution control systems

Our quality control and constant product improvement have resulted in a fail-proof piping system. Our pipes



DI pipe socket being given finishing touch



*Sewage Pumping Main
for Ahmedabad
Municipal Corporation
(DN 1000 pipeline)*



DI Pipes being stacked suitably



Distribution main for
Hyderabad Metro
(DN 750 pipeline)

can withstand sudden stresses, like water hammer, extensive soil erosion and construction-abuse, corrosion and abrasion. Our joints are bottle tight - the water cannot leak out, external contaminants cannot sneak in.

No wonder Electrosteel's Ductile Iron Pipes are the first choice for foreign aided water and waste water supply projects. Electrosteel's aim is to manufacture world-class products for not only Indian but also International markets. Our products have met with high approval in the most advanced nations and have proved themselves against toughest international competition. Electrosteel is proud and happy to note that many corporations for prestigious water supply projects are tapping it's turnkey capabilities. The long uninterrupted service life of Ductile Iron Pipe makes it the most economic pipe available.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in submitting their Forty-fourth Annual Report with the Audited Accounts of the Company for the year ended 31st March, 1999.

Accounts

This is yet another year of all round growth. The Company has earned a profit, after meeting all expenses of operation and management and interest charges, but before depreciation of Rs. 89,87,18,376. The following provisions and adjustments have been made :

	Rs.	Rs.
Gross Profit		89,87,18,376
Less : Depreciation	11,22,20,899	
Provision for Taxation	18,00,00,000	29,22,20,899
		<u>60,64,97,477</u>
Add : Investment Allowance Reserve to the extent no longer required	16,50,000	
Debenture Redemption Reserve to the extent no longer required	3,80,00,000	
Balance brought forward from previous year	9,39,94,457	13,36,44,457
		<u>74,01,41,934</u>
Which your Directors have appropriated as under :		
Debenture Redemption Reserve	4,66,20,000	
General Reserve	46,50,00,000	
Proposed Dividend including Corporate Dividend Tax	11,20,56,720	62,36,76,720
Balance of Profit carried forward to Balance Sheet		<u>11,64,65,214</u>

Dividend

Your Directors recommend an increased dividend at the rate of Rs. 12.50 per share for the year ended 31st March, 1999. The dividend, if declared, will absorb Rs. 11,20,56,720/- inclusive of tax of Rs. 1,11,04,720/- on distribution of dividend.

Operations

Khardah Unit

Expansion of production capacity of Ductile Iron Pipes from 60000 tonnes to 90000 tonnes was completed during the year. The production of D.I.Pipes during the year was 74252 tonnes as against 57110 tonnes in the preceding year. Production of Cast Iron Spun Pipes improved from 48884 tonnes to 54370 tonnes. Pig Iron production also improved from 110586 tonnes to 125543 tonnes of which 123168 tonnes were captively consumed.

Elavur Unit

The production capacity of Cast Iron Spun Pipes was expanded during the year from 50000 tonnes to 75000 tonnes. The production during the year was 61324 tonnes compared to 45745 tonnes during the preceding year.

**Ghaziabad Unit**

Due to uneconomical operations coupled with steep increase in electricity tariff the unit was closed in September last.

Y2K compliance-Year 2000

Recently introduced Information Technology Systems are the latest conforming to requirements of Y2K compliance. Your Company does not foresee any adverse impact on the Company's financial position or production operations arising from the risk of exposure to Y2K problem.

General

The second Ductile Iron Pipe project is now proposed to be set up at Kolhapur in Maharashtra. Land has been acquired. Construction work will be taken up after all statutory clearance are obtained. Funds raised for the project of 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'.

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 N. C. Bahl and Shri J. Sanyal 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
May 24, 1999

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 | : | Measures are taken on a continuing basis on various fields. |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy | : | 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 is being done on continuous basis 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 energy consumption per unit of production | : | Form - A enclosed. |

B. Technology Absorption

- | | | |
|--------------------------------|---|---|
| Research and 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 and Development wing is fully geared to absorb, adapt and innovate the imported technology on a continuing basis. |
|--------------------------------|---|---|

C. Foreign Exchange Earnings and Outgo

- | | | | | | | | | |
|---|---|--|-----------------------|---|------------------|-------------------------|---|------------------|
| (a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and 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 | : | <table border="0" style="margin-left: 20px;"> <tr> <td>Foreign Exchange used</td> <td>:</td> <td>Rs. 5608.51 Lacs</td> </tr> <tr> <td>Foreign Exchange earned</td> <td>:</td> <td>Rs. 4284.96 Lacs</td> </tr> </table> | Foreign Exchange used | : | Rs. 5608.51 Lacs | Foreign Exchange earned | : | Rs. 4284.96 Lacs |
| Foreign Exchange used | : | Rs. 5608.51 Lacs | | | | | | |
| Foreign Exchange earned | : | Rs. 4284.96 Lacs | | | | | | |