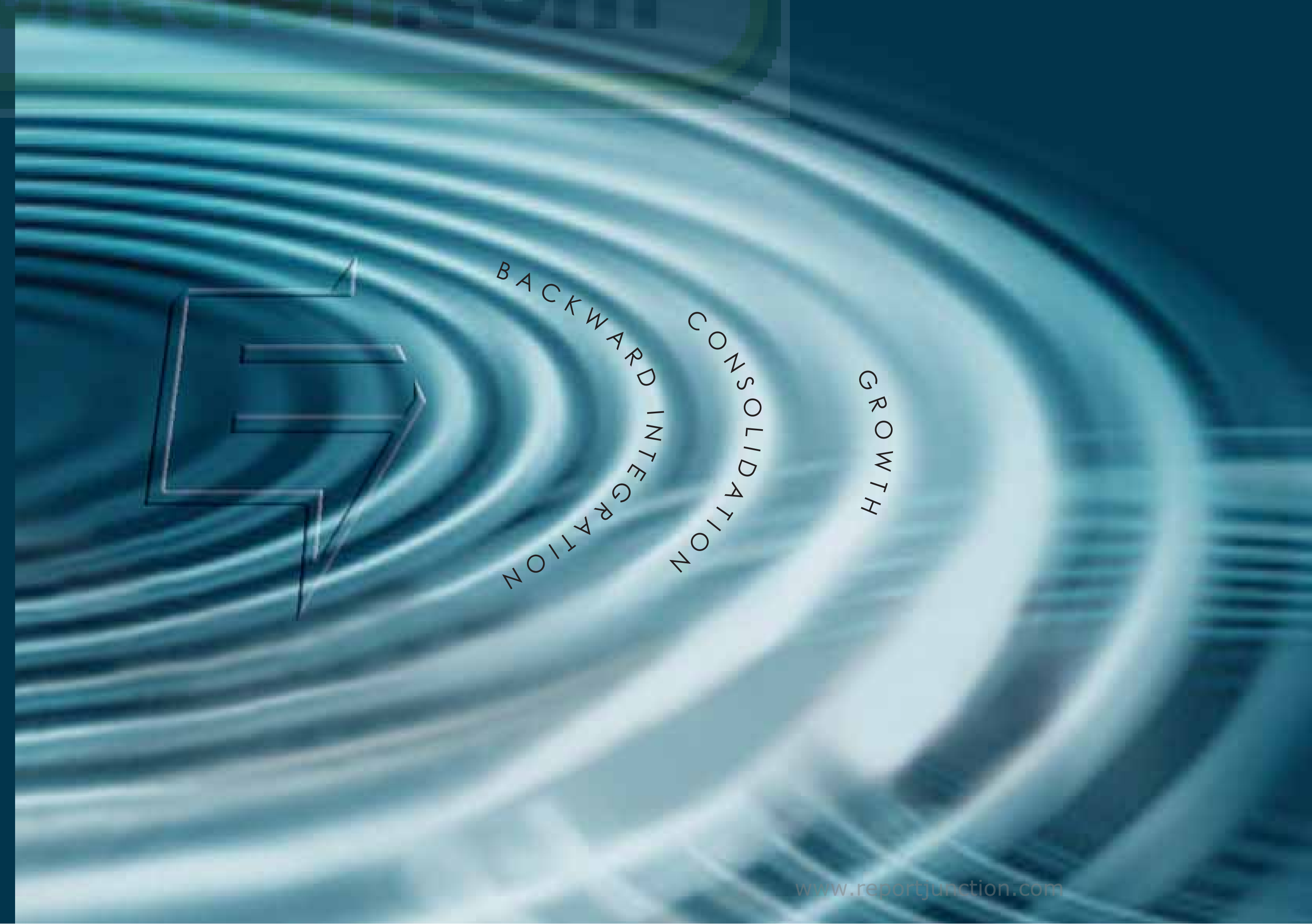
ELECTROSTEEL CASTINGS LIMITED

53RD ANNUAL REPORT

2007-08



Designed by Sushovan Ghose Associates and Printed at N K Gossain

www.electrosteel.com

Corporate Information

Chairman	P. K. Khaitan
Directors	B. Khaitan V. K. Lamba Naresh Chandra Jamshed J. Irani
Managing Director	Umang Kejriwal
Joint Managing Director	Mayank Kejriwal
Wholetime Directors	N. C. Bahl Uddhav Kejriwal
Company Secretary	Jyoti Jain
Auditors	Lodha & Co. Chartered Accountants
Solicitors	Khaitan & Co.
Bankers	Punjab National Bank Standard Chartered Bank BNP Paribas ICICI Bank Ltd. IDBI Bank Ltd. HDFC Bank Ltd. HSBC Ltd.
Works	Khardah, West Bengal Haldia, West Bengal Elavur, Tamil Nadu
Corporate Office	G. K. Tower 19, Camac Street Kolkata 700 017
Registered Office	Rathod Colony Rajgangpur Sundergarh Orissa - 770 017

Contents

Directors' Report
To The Shareholders

During the year the Company achieved a turnover of Rs. 13,84.42 crores representing an increase of 18% over the previous year including exports of Rs. 4,34.36 crores.

Your Directors take pleasure in presenting their Fifty Third Annual Report and Audited Accounts of the Company for the year ended March 31, 2008.

Financial highlights	(Rs. in crores)	
	2007-08	2006-07
Turnover	13,84.42	11,76.22
Total income	14,15.54	11,67.89
EBITDA	1,73.47	2,12.69
Interest	26.21	20.59
Cash generation	1,68.50	1,94.75
Depreciation	36.61	33.67
Profit before tax and exceptional items	1,10.66	1,58.42
Less: Provision for losses on derivatives transaction	(60.20)	–
Profit before taxation	50.45	1,58.42
Less: Provision for tax (including FBT & deferred tax)	(8.17)	(52.26)
Add: Income tax refund	9.73	–
Profit after taxation	52.02	1,06.16
Add: Balance brought forward from previous year	61.17	33.61
Transfer from debenture redemption reserve	15.00	20.00
Available for appropriation	1,28.19	1,59.77
Less: Transfer to debenture redemption reserve	(9.00)	(9.00)
Transfer to general reserve	(20.00)	(60.00)
Dividend including tax thereon	(30.98)	(29.59)
Proposed Final Dividend including tax thereon	(8.20)	–
Surplus carried to balance sheet	60.01	61.18

Dividend

During the year, the Company paid an interim dividend @ Re.1.00 per share (100%) for the year ended March 31, 2008 and the Directors recommend a final dividend of 25% making a total of 125%. The total outgo on account of dividend, together with dividend tax of Rs. 5.69 crores amounted to Rs. 39.18 crores.

The Board recommends the above dividends for declaration/confirmation by the members.

Operations

During the year the Company achieved a turnover of Rs. 13,84.42 crores representing an increase of 18% over the previous year including exports of Rs. 4,34.36 crores. The Company's profit (PBT) for the year was Rs. 1,10.66 crores, as against Rs. 1,58.42 crores. The decline was mainly due to steep increase in iron-ore and coal/coke prices in the later half of the year and adverse movement in the foreign exchange market affecting Company's foreign exchange exposures.

During the year D.I. Pipes production was 2,14,956 MT as against 2,30,109 MT in the preceding year, showing a decline of 7%. The decline was mainly due to shutdowns because of heavy floods and religning of Blast Furnace. Production of D.I. fittings was significantly higher by 35% over the previous year (from 3,453 MT to 4,654 MT).

The production of C.I. Pipes at Elavur was 50,504 MT as against 41,988 MT in the previous year.

The Company's export of D.I. Pipes decreased to 1,03,413 MT as compared to 1,15,289 MT in the preceding year, showing a decline of 10%, owing to higher proportion of sales in the domestic market.

During the later half of the year the Company was able to increase the prices to partly compensate the increase in raw material costs. The average YoY realization thus increased by Rs. 1,000 per ton in the current year.

Cost reduction and backward integration

The Company installed a Sinter plant and a 33kv sub-station around the end of the year, which will enhance operational efficiency and will result in decrease in consumption of coke and thereby reduce cost.

The Company had received allocation of Parbatpur Coal Block in Jharia Coal field. After getting all the clearances Lease agreement with the Govt. of Jharkhand was signed during the year and infrastructure developmental work is in full swing at the mining site.

Coke oven plant - The Company already has two coke oven batteries in operation at Haldia with a capacity of approx. 400 TPD. The Company now plans to install two more batteries of similar capacities to enhance its coke making capacities and become self sufficient in coke.

Power plant – the Company plans second 12 MW Power plant at Haldia, which will produce power from waste heat gas from coke oven batteries.

During the year, Zero Coupon Convertible Bonds amounting to US$ 54.05 million were converted in equity resulting in the increase of net worth of your company by Rs. 2,42.36 crores.

Railway siding – the Company plans to construct a railway siding at Haldia to create facility for smooth movement of materials from the forthcoming coal mine at Parbatpur, Jharkhand and iron ore mine at Kodolibad, Jharkhand.

The Company is also acquiring two wagon rakes under the Indian Railway's Wagon Investment Scheme (WIS) to part solve the logistics problem.

Finance

The Company raised Rs. 33.68 crores by preferential issue of convertible warrants and Rs. 74.03 crores by issue of equity capital to promoters and other investors.

During the year, Zero Coupon Convertible Bonds (ZCCB's) amounting to US$ 54.05 million were converted in equity resulting in the increase of net worth of your company by Rs. 2,42.36 crores.

Future Prospects

In view of the thrust given by Government of India to create infrastructure for effective management of water resources and sewerage, the demand for D.I. Pipes is expected to grow by 15% per annum.

The Company is expected to start coal production from the new mine allotted to it, during the year.

It is expected that the Company will face further increase in raw material costs. Your Directors are fully aware of the same and suitable steps have been initiated to offset the cost increase by corresponding increase in prices of its products.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement entered into with the stock exchanges, a Report on Corporate Governance, together with a certificate obtained from the Statutory Auditors confirming compliance, is set out as annexure to this Report.

Directors' responsibility statement

Your Directors hereby confirm:

a) that in the preparation of annual accounts, containing financial statements for the year ended March 31, 2008 the applicable accounting standards have been followed.

b) that the stated accounting policies have been consistently followed to give a true and fair view of the state of affairs of the company and the profit for that period.

c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) the annual accounts have been prepared on a going concern basis.

Labour Relations

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

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'.

Employees

The Board of Directors expresses its appreciation for the cordial relations and outstanding contribution made by the officers and employees of your Company at all levels during the year.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this report. However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the shareholders of the Company, excluding the aforesaid information. Those members desirous of obtaining such particulars may write to the Company Secretary at the registered office of the Company.

Subsidiary Companies

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, vide its letter bearing number 47/19/2008-CL-III dated February 28, 2008, the copies of the balance sheet, profit and loss account, reports of the Board of Directors and the Auditors' Reports of the subsidiary companies for the year ended March 31, 2008 are not attached to the balance sheet of the Company. As per the terms of the Exemption

In February 2008, Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award to the Company for outstanding contribution in exports made during 2005-06.

Letter, a statement containing brief financial details of the Company's subsidiaries for the year ended March 31, 2008 is included in the Annual Report. The Company will make available the annual accounts and other related detailed information of the subsidiaries upon request by any member/investor of the Company/subsidiary companies. Further, the annual accounts of the subsidiary companies will also be kept for inspection by any member/investor at the Company's Registered Office.

Awards

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07 and in February 2008 Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award for outstanding contribution in exports during 2005-06.

Consolidated Financial Statements

The Board of Directors has pleasure in attaching the Consolidated Financial Statement pursuant to Clause 41 of the Listing Agreement entered into with the stock exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

Auditor's Report

The statutory auditors have made observations as set out in note 25(a)of Schedule 17(Notes to Accounts) with regard to investments made by the Company in Domco Private Limited (DPL), a company incorporated in India. The Company has joint control in DPL to the extent of 50% and the balance control is vested in the hands of other co-venturers (The Venturers). Last year, The Venturers filed a petition before the Company Law Board, Principal Bench, New Delhi (CLB) against the Company on various matters including for forfeiture of the Company's investment in equity shares of DPL. The Company had, inter alia, filed petition before the Ranchi High Court. The High Court while uploading our contention has ruled that the matter has to be referred to Arbitration as provided in the Shareholders Agreement. The Company considers, subject to final outcome of the Arbitration, investments of Rs. 30.00 lakhs in DPL and advances of Rs. 7,00.00 lakhs to DPL to be good and recoverable and accordingly these have been carried forward at book value in these accounts.

Directors

Mr. Pradip Kumar Khaitan, Mr. V.K. Lamba and Mr. Uddhav Kejriwal, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Auditors

The Auditors, M/s. Lodha & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been obtained to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Acknowledgement

Your Directors take this opportunity to thank the Financial Institutions, Banks, Government Authorities, Customers, Shareholders, Investors, employees and other stakeholders for their continued trust and support to the Company.

On behalf of the Board

Kolkata
June 23, 2008

P.K. KHAITAN
Chairman

Annexure 'A'
To Directors' Report

CONSERVATION OF ENERGY

a) **Energy conservation measures taken :**

- Installation of recuperator in Stove at MBF for preheating Air and BF Gas
- Installation of FRP blades in DG cooling towers
- Further improvement from 3.36 kwh/L to 3.6 kwh/L achieved in DG set
- Based on energy audit almost 22 motors have been downsized and also introduced Energy efficient motors in place of conventional motors at Ductile Iron Works.

b) **Additional investment & proposals, if any, being implemented for reduction of consumption of energy**

Improvement of effectiveness of cooling towers, automatic controller for pF improvement in large LT motors (above 55 KW), VVVFD (variable voltage variable frequency drive) in ID fans of annealing furnaces.

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

1. Specific energy has reduced from 698 millioncal/MT hot metal in 2006-07 to 648 millioncal in 2007- 08
2. Specific energy consumption in 2007-08 is running at 567 millioncal/MT against 534 in 2006-07.

d) **Total energy consumption & energy consumption per unit of production as per FORM – A attached**

TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT (R & D)

The Company's Research & Development cell is fully geared to absorb, adapt and innovate the latest technology on a continuous basis. Some of the R&D initiatives taken by the Company during the year to improve the life, performance and market share of the product are as below:

- Pipe coatings have been developed for conveying water conforming to potability quality of water as per European Union (EU) directive, under extreme temperature conditions of Europe and Middle East. British agencies like WRC and European Certifying Body have approved these.
- Collaborative research and development is being carried out on testing and measurement of corrosion prevention characteristics of metallic and non-metallic protective coatings with Jadavpur University (Industrial Institute Partner Cell) to improve the life of DI Pipes under different aggressive soil conditions.
- Pipes and Fittings as per AWWA specification of USA are under development for entering high-end market. The approval for quality from different certifying agencies like UL, NSF is under progress.

The Company incurred Rs 46.75 lakhs on R&D activities.

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 :

Continuing efforts are made to increase the exports by exploring, creating and developing new markets, setting up Subsidiaries, Joint Ventures and Branches in foreign countries.

b) Total foreign exchange used and earned :

Foreign exchange used
Rs. 24,648.76 lakhs
Foreign exchange earned
Rs. 45,403.39 lakhs

Form - A
Form for disclosure of particulars with respect to conservation of energy : 2007-2008

(a) Power & Fuel

		Current Year ended 31.03.08	Previous Year ended 31.03.07
1. Electricity			
(a) Purchased			
Units	Kwh '000	**91539.808**	89776.664
Total Amount	Rs.Lakhs	**3717.88**	3498.81
Rate/Unit	Rs.	**4.56**	3.90
(b) Own Generation			
i) Through Diesel Generator			
Units	Kwh '000	**6938.839**	6421.393
Unit/litre of Diesel Oil	Kwh	**3.48**	3.28
Cost/Unit Variable	Rs.	**10.37**	9.75
ii) Through Steam Turbine Generator			
Units	Kwh '000	**120485.643**	83183.756
Unit/litre of Diesel Oil	Kwh	**257.99**	229.13
Cost/Unit Variable	Rs.	**0.12**	0.14
2. Furnace Oil			
Quantity	K L	**6811.613**	7568.446
Total Amount	Rs. Lakhs	**1566.67**	1627.92
Average Rate	Rs./ KL	**23743.93**	21509.29
3. Hard Coke			
Quantity	M T	**8680.726**	8492.732
Total Amount	Rs. Lakhs	**973.01**	703.76
Average Rate	Rs./MT	**12579.44**	8286.66
4. Diesel Oil			
Quantity	K L	**2559.494**	2049.002
Total Amount	Rs. Lakhs	**775.30**	655.23
Average Rate	Rs./ KL	**30344.00**	31978.15
5. Coal Gas			
Quantity	NM^3 '000	**9567.060**	11835.930
Total Amount	Rs. Lakhs	**529.74**	343.19
Average Rate	Rs./NM^3	**5.54**	2.90

(b) Consumption Per Unit of Production (MT)

	Pig Iron	DI Pipes	CI Pipes	DI Fittings	Coke	Sponge Iron
Electricity (Kwh)	**154** (136)	**380** (355)	**59** (58)	**1395** (1688)	**16** (20)	**87** (91)
Furnace Oil (Ltr.)	**0** (-)	**9** (19)	**59** (58)	**0** (-)	**0** (-)	**0** (-)
Diesel Oil (Ltr.)	**0** (-)	**7** (5)	**4** (3)	**2** (2)	**0** (-)	**0** (-)
Hard Coke (Kg.)	**0** (-)	**0** (-)	**136** (134)	**0** (-)	**0** (-)	**29** (54)
Coal Gas (NM^3)	**0** (-)	**45** (51)	**0** (-)	**0** (-)	**0** (-)	**0** (-)

Management Discussion and Analysis

Verification process for the 1st year's emission was completed and the Company have already sold carbon credits worth Rs. 2.63 crores for emission reduction.

OVERVIEW

The Company is engaged in the business of manufacturing Ductile Iron Pipes and Fittings and Cast Iron Pipes. Additionally, the Company also undertakes turnkey solutions for water transportation and sewerage management, which includes manufacturing DI Pipes, supplying and laying various types of pipes, operating the system and transferring to the owners.

INDUSTRY OUTLOOK

In India, water supply is mainly met through monsoons. Government has now realized that too much dependence on ground water reserve has lead to a situation where thousands of years of accumulated ground water has been used up within a few decades. The Government has to depend on surface water sources. Schemes of holding surface water in reservoirs are increasing to prevent it from flowing out to the sea. This water would be used in irrigation, domestic water supply and industry. These types of schemes would need large amounts of reliable and durable pipes.

Water supply projects in India are mainly funded by the Government (both state & central). The government currently spends approximately 3 percent of the national budget on investments to provide drinking water. Finance for the schemes would be provided partly by the Central Govt. under various schemes like from JNNURM, UDISSMT, BSUP (Basic Service for Urban Poor) ARWSP, Mega City Projects, and Bharat Nirman Project etc. The respective State Govts will arrange rest of the fund through variety of sources including budgetary allocations by the state governments, municipal bonds, pooled finance with private participation, loan from financial organizations (like HUDCO, LIC, IL&FS, IDFC etc.) and international aid etc. International Funding Organizations and Multilateral Funding Agencies like the World Bank, the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC) also support the sector.

As more and more international water-utility providing companies are investing in India, it is expected that more of private funds would flow in water supply. The private parties well realize that good quality DI Pipes have the lowest life-cycle cost and to make durable water and sewerage infrastructure, are the best option to keep the running costs low.

The future need for creation of urban and rural infrastructure (including water resources and sewerage management) in India is enormous and this rapidly increasing demand will continue to push up the requirement of all types of pipes in the water and wastewater sector.

The Central Government is investing heavily in the Accelearted Irrigation Benefit Programme (AIBP) and the Rainfed Area Development Programme (RADP). Under the AIBP, 24 major and medium irrigation programmes and 753 minor irrigation schemes will be completed in this financial year. The budget outlay for 2007-08 was Rs. 11,000 crores which has increased to Rs. 20,000 crores for 2008-09. The RADP will have an allocation of Rs. 348 crores for 2008-09. The micro irrigation schemes have a budgetary allocation of Rs. 500 crores. In these efforts, international development finance institutions such as the World Bank and the Asian Development Bank are extending support to the Government. This has generated a strong demand for DI Pipes that are increasingly being used for water and sewerage transportation.

DI Pipes are stronger, have longer life span, are easier to tap, require less support and provide greater flow area as compared to pipes made from other materials. DI Pipes have a lower life cycle cost than most other types of pipes used for water transportation and sanitation. Also, in difficult terrain these can be a better choice than PVC, concrete, polyethylene or steel pipes. This edge enjoyed by DI Pipes has led to increased usage of such pipes and gradual substitution of other conventional pipes. Based on past records, the demand for DI Pipes is expected to grow by 15-20 % year on year and the demand for CI Pipes is expected to decline.

2007-08 Vs. 2006-07

During the year, the Company had lower production and sales (quantum) because of reduced number of working days due to flooding and relining of blast furnace. The Company's turnover has increased from Rs. 1,176.22 crores in 2006-07 to Rs. 1,384.42 crores in 2007-08 representing an increase of 18%. Export sales showed a marginal decline from Rs. 447.05 crores to Rs. 434.36 crores, a decrease of 2.83%. The Company also faced unprecedented increase in iron-ore and

During the year the Company has signed the mining lease agreement with the Government of Jharkhand for Coking Coal mine in Jharia Coalfield.

coal/coke prices in addition to general increase in raw material prices. Adverse movement in international forex markets affected the Company's forex exposures. Consequent to the above Company's profit (PBT) has also decreased from Rs. 158.42 crores in 2006-07 to Rs. 110.66 crores in 2007-08. The Company also had to make a further provision of Rs. 60.20 crores on account of mark to market losses on forex derivative contracts as required by the notification issued by the Institute of Chartered Accountants of India, dated March 29, 2008.

Ductile Iron Pipes

The production of DI Pipes reduced during the year from 2,30,109 MT last year to 2,14,956 MT. In addition to the unprecedented floods in September causing a major shutdown and disruption of the plant, premature failure of Blast Furnace lining was the major reason of lower production.

Year	DI Pipe production
2005-06	1,81,161 MT
2006-07	2,30,109 MT
2007-08	2,14,956 MT

With the installation of a new sinter plant, it is expected that the production will improve during the ensuing year and reach new heights.

Cast Iron Pipes

To partially make up the loss in production of DI Pipes, the Company produced 50,504 MT of Cast Iron Pipes at its Elavur works against 41,988 MT in the previous year.

However, in line with the demand shift from CI Pipes to DI Pipes due to its superiority over other pipes, Electrosteel will continue its focus on DI Pipes.

DI Fittings & Accessories

With DI Fittings getting accepted in the highly quality conscious markets of Europe, production of the same continued to increase. Production during the year was 4,654 MT against 3,453 MT during the previous year, registering an increase of 35% over the previous year.

Raw Materials Management

To offset the rise in cost of iron ore, a major input in the manufacturing process, the Company has installed a Sinter Plant at its Khardah Works. This sinter plant shall use iron ore fines as an input instead of the costly lump iron ore, and shall help to contain raw material costs.

The Company had received allocation of Parbatpur Coal Block in Jharia Coalfield. All the statutory clearances have been obtained and the mining lease agreement has been signed with the Government of Jharkhand. The Company has already acquired around approx 475 acres of land for the same. Other infrastructure developmental works are in progress. It is expected that the coal production will start during the current year. This captive source will ensure that the Company gets coking coal at lower costs and also remains insulated from the demand-supply volatility in the open market.

The Company has been allotted an Iron Ore mine in Kodolibad, Jharkhand. This backward integration measure will reduce Company's operating cost and ensure a steady supply of Iron ore. Proposal for the forest diversion is with Ministry of Environment & Forest for grant of Stage – I clearance. On receipt of the clearance and after complying the same, Stage – II i.e. final clearance will be obtained. Mining lease agreement will be signed thereafter.

Power Plant

Haldia's Waste Heat based Power Plant has been developed as a Clean Development Mechanism (CDM) Project. In this project the sensible heat in the waste gas emissions from our Coke Oven Plant and Sponge Iron Plant is utilised for generating 12 MW power. Since waste gases are used instead of burning fossil fuels for generation of power, this project will reduce appx. 78,000 MT of Carbon Dioxide emissions to atmosphere every year, thus helping in abating climate changes, and earning carbon credits.

12 MW Power Plant at Haldia, has contributed 82.9 million units to SEB grid in place of 47.5 million units last year.

After going through the vigorous processes, obtaining host country approval from MOEF, carrying out validation through DNV and registering with UNFCCC (United Nations Framework Convention for Climate Change) under Kyoto Protocol, verification process for the 1st year's emission was completed and we have already sold carbon credits worth Rs. 2.63 crores for emission reduction. Verification for 2nd year is now underway.

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07.

Another 12MW power plant is being planned using the waste gas generated by the two new coke oven batteries being installed at Haldia. With this, additional income will be generated from carbon credits.

Captive Coke Oven Plant

During the year, the Coke Oven Plant at Haldia produced 1,26,126 MT of Metallurgical Coke against 99,672 MT last year for captive consumption in Blast Furnace at Khardah Works.

Two more coke oven batteries have been planned at Haldia and with the installation of the same the Company will be self sufficient in its coke making capacity.

Export

The constant focus of the Company on quality and new product developments in line with the international requirements and standards has resulted in gaining larger market share in the quality conscious markets of Europe like France, Spain, Germany, Italy etc. The company became the second largest supplier in the Spanish market. The Company established its commitment to service the European customers by putting into operation a warehouse of approx. 30,000 sq. meters in France and acquiring the 40% share of Fusion Group (Holdings) in the joint venture in UK to become 100% subsidiary of Electrosteel Castings Limited. First batch of pipes was shipped out to Germany marking entry into a new market. A new design accessory (fitting) received good response in the markets of Europe and Africa.

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07 and in February 2008 Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award for outstanding contribution in exports during 2005-06.

Turnkey Projects

The Company also provides turnkey solutions to its customers in the areas of water infrastructure and sewerage management. It undertakes the activities of engineering, procurement, construction operations and management with respect to water distribution and sewerage systems, across the country. This turnkey activity also involves supply and laying of substantial quantities of the Company's pipes and fittings and thus adds to business opportunities for the Company.

The Company is currently executing major projects in the states of Gujarat, Rajasthan, Kerala, J & K, Tamil Nadu and Madhya Pradesh.

Quality

Quality, has always has been the prime focus of the Company, to ensure the brand image and ultimately improving the market share. The Company continues to take new initiatives to further strengthen its quality control and quality assurance systems. Some of the steps taken during the year are as below:

a) TPM and the Kaizen Culture continues to be maintained with all the enthusiasm involving and motivating personnel at all levels.

b) Electrosteel laboratory has been recommended for a prestigious accreditation by the National Accreditation Bureau of Laboratories, indicating the highest quality.

c) Different international agencies like DVGW (Germany), BSI (UK), SIRIM (Malaysia) and Middle East countries have continued approval to the Company's quality system and products.

d) Collaborative work on studies of effectiveness of coating in corrosion prevention is continuing with Jadavpur University (Industry Institute Partnership Cell) and the results have been accepted by Body Coat PDL, UK.

e) BSI (UK) has recognised our excellent Type Testing facility and has used it for carrying out the performance tests on the Ductile Iron Pipes of other manufacturers for approval of Kitemark License to them.

Safety, Health & Environment

The Company is committed to the safety and health of its employees. The Safety Management Systems are constantly being monitored for improvement and upgradation to compete with the best in the industry. Mechanisms for monitoring activities related to health, hygiene and safety have been set up at every plant. The Company conducts regular programmes and training courses to create awareness of the above, among

During the year SAP was implemented across all business operations covering all the manufacturing units and distribution channels.

employees. Some of the steps taken on this account are as under :

a) Electrosteel is effectively maintaining the Environmental Management System Standard ISO: 14001-2004 in both the manufacturing plants (Khardah and Elavur).

b) Use of JIPM – TPM methodology of KYT (Danger Prediction caused by human error in various activity areas) is being continuously enhanced to further improve the consciousness of workmen and supervisors.

c) Senior Managers participate in 'Planned Visit' of the plants to enforce 'Safe Operating Practices'.

d) Staff from various Polytechnics along with the Faculty of National Institute of Technology, Teachers' Training & Research are regularly provided in-plant training on Environment and Safety Measures.

e) Electrosteel has sponsored various social activities for spreading awareness of environment issues in the neighbourhood.

f) The Company also focuses on the development of the eco-system and improvement of the green belt in and around its manufacturing plants.

Corporate Social Responsibility (CSR)

Social welfare, community development, economic and environmental responsibilities are at the core of the CSR of the Company. As part of its policy for corporate social responsibility, the Company undertakes a range of activities to improve living conditions of people in the neighbourhood of all its plants. These activities include education, healthcare, sports, cultural events, vocational training such as :

a) Development, repair, renovation and extension of classrooms of local Institutes.

b) Health care of local inhabitants through charitable medical institutions and donations for treatment.

c) Organising sports activities involving local schools and clubs at district level with an aim to promote sports activities in the district.

d) Giving entrepreneurial opportunity to local un-employed youths to supply materials and through encouraging contract activities.

e) Organising cultural programmes.

f) Rewards for good & bright students.

Information Technology

Electrosteel strongly believes that Information Technology (IT) is one of key enabler in today's business. In order to gain a competitive edge, Electrosteel is into continuous endeavour to adopt best business process practices and establish it as the culture of the organization. Therefore, IT has been a major focus area for Electrosteel and taken up as key driver for accelerating the business performance.

As planned and committed during 2006-07, the Company embarked on complete IT revamp. SAP was implemented across all its business operations covering all the manufacturing units and distribution channels. SAP implementation was planned in two phases. In the first phase, ERP Central Component (ECC) has been successfully implemented. Second phase is scheduled during 2008 - 09.

The basic objective of SAP implementation was to:

- bring all manufacturing units on one platform to create a single window view of business operations in the enterprise;
- bring transparency in its business processes and operations;
- implement unified business processes across locations and functions;
- Integrating the cycle of planning, sourcing, manufacturing, distributing and servicing activities at their highest level of efficiency ;
- produce cost effectively to improve margins;
- make Electrosteel a seamless organization; and
- Allowing ease of strategic planning leaving daily operations on SAP's shoulder.

Electrosteel has already started witnessing some of these benefits. With passage of time it is confident to yield better mileage of this SAP initiative.

In view of SAP implementation and ensuring uninterrupted IT services, major focus has