



6th ANNUAL REPORT  
2012-2013

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## CORPORATE INFORMATION

### DIRECTORS

Mr. Umang Kejriwal	- Non Independent
Mr. Naresh Pachisia	- Independent
Mr. Lalit Kumar Singhi	- Independent
Mr. Jinendra Kumar Jain	- Independent
Mr. Sunil V Diwakar	- Nominee Director
Mr. Amrendra Prasad Verma	- Nominee Director
Mr. Lawrence M Roy	- Alternate Director

### WHOLETIME DIRECTOR

Mr. Nigam Chander Bahl

### COMPANY SECRETARY

Mr. Vikram Saraogi

### STATUTORY AUDITORS

M/s. B Chhawchharia & Co., Chartered Accountants

### COST AUDITORS

M/s S. G. & Associates, Cost Accountants

### BANKERS

State Bank of India (Facility Agent)

Allahabad Bank

Andhra Bank

Bank of Baroda

Bank of India

Bank of Maharashtra

Canara Bank

Central Bank of India

Corporation Bank

Dena Bank

HUDCO

ICICI Bank Ltd

IL&FS Financial Services Ltd

Indian Bank

Indian Overseas Bank

LIC of India

Oriental Bank of Commerce

Punjab & Sind Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of Bikaner & Jaipur

State Bank of Mysore

State Bank of Patiala

State Bank of Travancore

Syndicate Bank

The J&K Bank Ltd

UCO Bank

Union Bank of India

United Bank of India

Vijaya Bank

### REGISTERED OFFICE

801, Uma Shanti Apartments,  
Kanke Road, Ranchi - 834 008  
Jharkhand.

### PROJECT SITE

Village Siyaljori, P.O - Jogidih,  
P.S - Chandankyari, Dist - Bokaro,  
Pin - 828 303, Jharkhand.

### HEAD OFFICE

G K Tower,  
2nd & 3rd Floor,  
19, Camac Street,  
Kolkata - 700 017, West Bengal

## Notice

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at Basil Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834001 on Tuesday, the 23rd Day of July 2013, at 12.30 P.M. to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Umang Kejriwal who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr Lalit Kumar Singhi who retires by rotation and is eligible for re-appointment.
4. To appoint the Statutory Auditors of the Company and to fix their remuneration.

### Special Business:

#### Item No. 5

*To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:*

**"RESOLVED THAT** in accordance with the provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof for the time being in force and the Articles of Association of the Company, Mr. Jinendra Kumar Jain, who was appointed as an Additional Independent Director (Non Executive) of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Non Executive Independent Director of the Company liable to retire by rotation."

#### Notes:

- (a) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- (b) 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 forms should, however, be deposited at the Registered Office / Head Office of the Company not later than 48 hours before the commencement of the meeting.
- (c) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (d) Members/Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in for attending the meeting.
- (e) The Register of Share Transfer of the Company will remain closed for accepting share transfer applications from 17th July, 2013 to 23rd July, 2013.
- (f) Equity shares of the Company fall under category of compulsory demat trading by all investors. Considering the advantages of scripless trading, shareholders are therefore requested to consider dematerialization of their shareholding so as to avoid inconvenience.
- (g) The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices/documents to its shareholders through electronic mode to the registered email addresses of the shareholders/members. You are

therefore requested to register your email address with your depositories or by signing and returning the enclosed slip to the Company or to the R&TA of the Company or by way of an email to [eil.investors@electrosteel.com](mailto:eil.investors@electrosteel.com); [einward.ris@karvy.com](mailto:einward.ris@karvy.com);

(h) Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

**SPECIAL NOTE:**

A special resolution has been passed by the shareholders of the Company in the Annual General Meeting of the Company held on 7 august 2012, in reference to item number 6 of the notice dated 7 July 2012, for "Issue of fresh equity shares of the Company, through preferential allotment under section 81(1A) of the Companies Act, 1956".

The aforesaid information is required to be disclosed to the shareholders under the regulations for the Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure) Regulations, 2012 [the "SEBI (ICRD) Regulations"] with respect to the Relevant Date determined in terms of Regulation 71 of Chapter VII of the SEBI Regulations and that shall be the date thirty days prior to the date on which the meeting of shareholders is held to consider the Preferential Issue and which was inadvertently taken as 7 July 2012 (Saturday) instead of 6 July 2012.

The Company was informed by The Bombay Stock Exchange Limited and National Stock Exchange of India Limited that as per the Notification dated 30 January 2012, issued by SEBI (ICDR) amendment regulations 2012, Regulation 71 has been modified and amended with explanation as "Where the relevant date falls on a Weekend/Holiday, the day preceding the Weekend/Holiday will be reckoned to be the relevant date."

Therefore, the shareholders are requested to please take the note that, the relevant date for the said purpose, in terms of Regulation 71 of Chapter VII the SEBI (ICDR) Regulations has been taken as **6 July, 2012** instead of 7 July 2012 and accordingly the average price of the preferential issue, in terms of Regulation 76 of the SEBI Regulations had been calculated and was submitted to the relevant Stock Exchanges, based on which the necessary listing approvals had been obtained.

The Stock Exchanges had asked the Company to inform the shareholders on this matter in the subsequent general meeting of the shareholders and hence the same is being now sent to all the Shareholders for their necessary information.

This special note is thus in ratification of the earlier explanatory statement given in respect of the special business stated in Item No. 6 of the notice dated July 7, 2012 and this may be treated to be forming part and parcel of the same.

By Order of the Board of Directors

**For Electrosteel Steels Limited**

Date : May 6, 2013

Place : Kolkata

**Vikram Saraogi**  
Company Secretary



**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**  
(Annexure as referred to in the notes on notice)

**Item No. 5**

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors of the Company (the "**Board**") at its meeting held on May 6, 2013, appointed Mr. Jinendra Kumar Jain as an Additional Independent Director (Non Executive) of the Company.

The Company had received a notice in writing from a member along with a deposit of Rs 500 proposing the candidature of Mr. Jinendra Kumar Jain for the office of Director of the Company.

Mr. Jinendra Kumar Jain is not disqualified from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Director's Identification Number in terms of Section 266A of the said Act.

The Board recommends the resolution for the appointment of Mr Jinendra Kumar Jain as a Non Executive Independent Director of the Company.

Mr Jinendra Kumar Jain does not hold any Equity Shares of the Company in his own name and except Mr. Jain none of the Directors of the Company are, in any way, concerned or interested in this resolution.

By Order of the Board of Directors

**For Electrosteel Steels Limited**

Date : May 6, 2013

Place : Kolkata

**Vikram Saraogi**

*Company Secretary*

### Annexure as referred to in the notes on Notice

(Information pursuant to Clause 49 of the Listing Agreement regarding appointment of any new Director or re-appointment of a Director)

**a) Mr. Umang Kejriwal**

Mr. Umang Kejriwal, aged 60 yrs, is a non executive-non independent Director of your Company. He has been a member of our Board since our incorporation. He is a commerce graduate from Calcutta University. Mr. Kejriwal has 40 years of experience in steel & pipe manufacturing industry. From 1972 to 1975, he was actively engaged in the sale of products of Electrosteel Castings Limited (ECL) through his role as the executive director of the company. He was appointed as an executive director of ECL in 1975 and subsequently became the deputy managing director in 1979. Since 1981 he is acting as the managing director of ECL.

Mr Kejriwal holds 517,000 Equity shares of the Company in his own name and is also the Director of several other Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairman/ Member of Board Committee
1	Electrosteel Castings Limited	Director	Audit Committee - Member
2	Electrocast Sales India Limited	Director	Nil
3	Uttam Commercial Co. Limited.	Director	Nil
4	G.K. Investments Limited	Director	Nil
5	Electrosteel Thermal Power Limited	Director	Nil
6	Electrosteel Thermal Coal Limited	Director	Nil
7	Wilcox Merchants Private Limited	Director	N.A
8	Bose Estates Private Limited	Director	N.A
9	Cubbon Marketing Private Limited	Director	N.A
10.	Escal Finance Services Ltd	Director	Nil
11.	Global Exports Limited	Director	Nil
12.	Avalokiteshwar Valinv Limited	Director	Nil
13.	Shree Khemisati Constructions Private Limited	Director	N.A

None of the Directors are interested in the above re-appointment. Hence, your Board of Directors recommends the above re-appointment.

**b) Mr Lalit Kumar Singhi**

Mr Lalit Kr Singhi, aged 53 yrs, has started his business career in aluminum industry in the year 1979 and has over 30 years of experience in aluminum trading. In 1978, he became the director of Elford Edwards Pvt Ltd and since then he is actively involved in all the financial decisions of the Company.

From 1991 to 2005, Mr Singhi handled the consignment agency of Hindalco under the flagship of his own Company, where he was looking after the sales of aluminum products of Hindalco for the entire eastern region of India. From 1982 to till date, he is been engaged in the export business of garments to the European Countries. He is also involved in importing the wireless communication system for the Indian Army.



Mr Singhi currently holds 190,000 Equity shares of the Company under his own name and is also the Director of several other Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee	Chairman / member
1	Elford Edwards Pvt Ltd	Director	N.A	N.A
2.	North Dhadhu Mining Company Pvt Ltd	Director	N.A	N.A
3.	Network 4 Green Earth.com Pvt Ltd	Director	N.A	N.A

None of the Directors are interested in the above appointment. Hence, your Board of Directors recommends the above appointment.

**c) Jinendra Kumar Jain**

Mr Jinendra Kumar Jain, aged 62 years is a commerce graduate and a Chartered Accountant by profession. He is a member of 'Institute of Chartered Accountants of India', 'Direct Taxes Professional Association' and 'Association of Corporate Advisors & Executives Views Exchange'. Mr Jain is currently a practicing Chartered Accountant and has more than 35 years of experience in the field of Audit and Taxation. In his professional career he had also gained immense experience for the audit of manufacturing, trading and service Companies including Non Banking Financial Companies, Listed Companies and Public Sector units.

Mr Jain currently holds directorships of the other Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Associated General Trading Society Limited	Director	N.A

Mr Jain holds Nil Equity shares of the Company and none of the Directors are interested in the above appointment. Hence, your Board of Directors recommends the above appointment.

By Order of the Board of Directors

**For Electrosteel Steels Limited**

Date : May 6, 2013

Place : Kolkata

**Vikram Saraogi**  
Company Secretary



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Sixth Annual Report and the Audited Accounts of your Company for the year ended March 31, 2013.

### FINANCIAL RESULTS

Particulars	Amount (Rs/Lakhs)	
	FY 2012-13	FY 2011-12
i. Gross Turnover	18,329.76	6,714.06
ii. Net Turnover	16,311.01	6,068.75
iii. Other Income	93.39	41.81
iv. Total Revenue	16,404.40	6,110.56
v. Earnings Before Interest, Depreciation, Taxation and Amortization (EBIDTA)	(8,422.33)	(4,560.84)
vi. Interest	13,441.11	8,022.83
vii. Depreciation	6,136.39	2,394.55
viii. Profit before Taxation (PBT)	(27,999.83)	(14,978.22)
ix. Tax including Deferred Tax	1.42	3.48
x. Profit after Taxation (PAT)	(28,001.25)	(14,981.70)
xi. Profit brought forward from previous year	—	—
xii. Amount available for appropriation	(28,001.25)	(14,981.70)
xiii. Transfer to general reserve	—	—
xiv. Surplus/ (Deficit) carried to Balance Sheet	(28,001.25)	(14,981.70)

### ISSUE OF EQUITY SHARE CAPITAL UNDER PREFERENTIAL ALLOTMENT

During the year the Board of Directors of the Company at its Meeting held on May 8, 2012 and further as approved by the shareholders in its meeting held on August 7 2012, your Company had issued 15.20 crores equity shares of Rs 10 each ("**Equity Shares**") on preferential basis to the promoters / promoters group of the Company, namely, Electrosteel Castings Limited as prescribed under the regulations for Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure) Regulations, 2009 (the "**SEBI Regulations**"). The said equity shares also got listed and trading permission have been granted by Bombay Stock Exchange Limited and National Stock Exchange of India Limited on September 27, 2012 and September 28, 2012 respectively.

### DIVIDEND

You will appreciate that since the project is under implementation, there is not much earnings as of now, hence your Directors are not recommending any dividend on the Equity Shares of the Company for the year ended 31st March 2013.

### OPERATIONS

As you are aware, that your Company is setting up a 2.51 MTPA integrated Steel & Ductile Iron (DI) Pipe project, at Siyaljori village, in Bokaro District, in the state of Jharkhand, which is about 22 kms from Bokaro city, a well developed industrial town of Jharkhand, the plant will produce;

Finished Products	MTPA
Wire rods	0.60
Reinforcement bars in straight lengths	0.85
Ductile Iron Pipe	0.33
Commercial Billets	0.33
Pig Iron	0.40



One of the Blast Furnaces (350 M3) out of the three, has commenced operation of pig iron in September, 2010. The operation of coke oven plant is continuing and sinter plant has also started operations. Rebar Mill is also operational. Operation of Steel Melt Shop (SMS) has also begun which has resulted into production of billet and Re-bars. The lists of units under operations and under test are given in the Management Discussion and Analysis chapter as annexed to this report. Presently your Company is selling pig iron, and TMT bars in the open market.

Company's plant is at its advance stage of completion and its operations are currently in a nascent stage. Due to a variety of technical reasons, the plant has undergone improvements and changes which will in turn benefit the operations of the Company in the long run.

The target completion date of the balance facilities have been extended by few months. The main reason for the delay was due to sudden decrease in availability of Chinese manpower on account of change in guidelines issued by the Central Government of India on Visa Policy, restricting the Chinese manpower with work visa. This was beyond the control of Company's management. However, the Company made significant efforts to mitigate the effect of this *Force Majeure* situation with the following alternative plans;

- Appointment of local Sub-contractors under the supervision of Chinese Contractors.
- Reducing the scope of Chinese Contractors and offloading the same to Indian Contractors.

Subsequently, the Central Government of India has allowed work permits to a specified number of Chinese manpower, since then the work at the site is going on smoothly. Your Company is confident of achieving the revised completion target in the current financial year.

In addition to the above the delay in tie-up of additional loans from the bankers delayed the implementation of various modules.

Your company is pursuing following two loan proposals:

- 1) Loan against Securitization of Receivables for Rs. 2,200 Crores Your Company has applied for Securitisation Loan in 1st week of September 2011 and envisaged to complete the same by March 2012. However, the Company received the full sanction from the Lenders in February 2013. Your Company had raised this loan from various banks by Securitizing future receivables from the sale of DI Pipes and Pig Iron. A part of the proceeds from the said loan has been utilized towards payment of installments to the lenders and part towards the Project.
- 2) Capacity Enhancement Loan of Rs. 824 Crores - Your Company had approached to various lenders for the capacity enhancement Loan in November 2011. Your Company has received over 80% of sanctions under the said loan and has executed the Common Loan Agreement pending full tie up. The proposals for the sanction of balance loan are at an advance stage of approval with other banks and the Company is hopeful of completion of the same very soon. The proceeds from the said loan would be utilized towards completion of the balance facilities.

Your Company is hopeful that the entire production facility will be operational soon.

## **LISTING**

The equity shares of the Company continue to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Both these stock exchanges have nation-wide terminals and therefore, shareholders/ investors are not facing any difficulty in trading in the shares of the Company from any part of the Country. The Company had paid annual listing fees for the financial year 2013-14 to BSE & NSE and also the annual custodian fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

## **CORPORATE GOVERNANCE**

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. A Report on Corporate Governance Practices and the Auditors Certificate on compliance of mandatory requirements thereof is given as annexure to this report.

## **BUSINESS RESPONSIBILITY REPORT**

Ministry of Corporate Affairs (MCA), Government of India has, in July 2011, issued National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (Guidelines). The Guidelines list out nine principles and core elements on ethics, transparency and accountability, sustainability, employee well being, responsiveness towards stakeholders, promotion of human rights, environment protection, influencing public policy, inclusive growth and equitable development, value to customers and consumers. The Companies in India