

19TH

ANNUAL REPORT 2004-05



ELECTROTHERM

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COMPANY BRIEF

BOARD OF DIRECTORS

1. MR. MUKESH BHANDARI
Chairman & Managing Director
2. MR. SHAILESH BHANDARI
Whole Time Director
3. MR. HARISH SHARMA
Whole Time Director
4. MR. NARENDRA DALAL
Whole Time Director
5. MR. AVINASH BHANDARI
Director
6. MR. NAVEEN NAKRA
Director

Report

AUDITORS

MEHTA LODHA & CO.,
Chartered Accountants
Ahmedabad

BANKERS

Bank of India
Uco Bank
Punjab National Bank
State Bank of India

REGISTERED OFFICE

Survey No. 72
Village : Palodia, Taluka : Kalol,
Dist. Gandhinagar - 382 115

WORKS

- (1) Survey No. 72
Village : Palodia, Taluka : Kalol,
Dist. Gandhinagar - 382 115
- (2) Survey No. 325,
Village : Samakhiyali,
Taluka : Bhachau, Dist : Kutchh

WIND FARM PROJECT

Village : Dhank
Dist. : Rajkot, Gujarat.

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of ELECTROTHERM [INDIA] LIMITED will be held at Survey No. 72, Village Palodia, Tal. : Kalol, Dist. : Gandhinagar-382115. on Friday, September 30, 2005 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date together with schedules annexed thereto as well as the Directors' and Auditors' Reports attached therewith.
2. To declare dividend.
3. To appoint a Director in place of Mr. Narendra Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Harish Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT Mr. Naveen Nakra an additional Director up to the date of this Annual General Meeting be and is hereby appointed as Director of the Company."

7. To approve voluntary delisting of the Company's Equity shares from Saurashtra Kutchh Stock Exchange Ltd, Rajkot; Madhya Pradesh Stock Exchange, Indore; Vadodara Stock Exchange Limited, Vadodara and The Madras Stock Exchange Limited, Chennai.

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

"RESOLVED that subject to the provisions of the Securities Contract (Regulation) Act, 1956, Listing Agreement with the Stock Exchanges and the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and all other applicable laws, rules, regulations and guidelines and subject further to such approvals and sanctions as may be required, the Board of Directors be and is hereby authorised to de-list the Equity Shares of the Company from the Stock Exchanges at VADODARA, RAJKOT, INDORE and CHENNAI."

"RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds and things as it may consider necessary or expedient and do settle any question, difficulty or doubt that may arise in regard thereto. "

Date : 30/06/2005
 Regd. Office :
 Survey No. 72, Village : Palodia,
 Tal : Kalol, Dist : Gandhinagar-382115.

On behalf of the Board
MUKESH BHANDARI
 Chairman & Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE MEMBER OF THE COMPANY. THE PROXY FORMS SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement as required under section 173(2) of the Companies Act, 1956, in respect of Special Business mentioned in the above notice is annexed hereto.
3. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
4. The register of members and share transfer books of the Company will remain close from **21st September, 2005 to 30th September, 2005** (Both days inclusive).
5. Members are required to notify immediately the change of address, if any to the Company.

BRIEF DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT

(In Pursuance of Clause 49 of the Listing Agreement)

Mr.Narendra Dalal, Aged about 44 years is D.E.R.E. He is actively involved with the company's business since incorporation of the Company. He is director of the company since March, 1994. He is not member in any committees in other public Limited Company.

Mr.Harish Sharma, Aged about 52 years is E.TEC. He is actively involved with the company's business since incorporation of the Company. He is director of the company since March, 1994. He is also a director in Copper Components and Alloys Ltd. He is not member in any committees in other public Limited Company.

EXPLANATORY STATEMENT FORMING PART OF THE NOTICE

(Pursuant to Section 173(2) of the Companies Act, 1956.)

As required by Section 173(2) of the Companies Act, 1956 the following explanatory statements set out the material facts relating to the business to be transacted under No. 5 of the agenda of the notice and should be taken as forming part of the notice.

ITEM NO : 6

Mr.Naveen Nakra who was appointed as an additional Director of the Company, who has 33 years experience in leading steel manufacturing companies, out of which last 15 years as head of organization.

Mr.Mr.Naveen Nakra who has appointed by the Board of Directors in their meeting held on 9th September, 2004 as an additional director and hold office up to the date of Annual General Meeting under Article 37(a) of the Articles of Association of the Company. The Company has also received a notice from some shareholders proposing the appointment of Mr.Naveen Nakra as the Director of Company alongwith a sum of Rs.500/- in accordance with the provisions of Articles of the Association of the company and Section 257 of the Companies Act, 1956.

Except Mr.Naveen Nakra, none of the Directors are concerned or interested in the said resolution. As required under listing agreement of the particular of Mr.Naveen Nakra are as under :

Mr.Mr.Naveen Nakra, Aged about 55 years is B.E. (Mechanical) MBA Finance (XLRI). He has 33 years experience in steel manufacturing plants. He is widely traveled and has experience in setting up large projects, and operating them.

ITEM NO : 7

As per Securities and Exchange Board of India (Delisting of Securities) Guidelines-2003, a Company may seek voluntary delisting of its securities from all or some of the stock exchanges and further that an exit opportunity is not required to be provided in cases where such securities continued to be listed at a stock exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai and any other stock Exchange(s) that may be specified by SEBI in this regards.

At present, the equity shares of the Company are listed at The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, The Madras Stock Exchange Limited, Chennai, Madhyapradesh Stock Exchange, Indore, Saurashtra and Kutchh Stock Exchange Limited, Rajkot and Vadodara Stock Exchange Limited, Vadodara.

It is proposed to de-list the Equity shares of the Company from The Madras Stock Exchange Limited, Chennai, Madhyapradesh Stock Exchange, Indore, Saurashtra and Kutchh Stock Exchange Limited, Rajkot and Vadodara Stock Exchange Limited, Vadodara, in view of their negligible/ nil trading at these exchanges. Consent of members is sought to de-list the Equity Shares of the Company at the Stock Exchanges at Chennai, Indore, Rajkot and Vadodara as proposed in the Special Resolution.

The above resolution is in the interests of the Company and therefore recommended by the Board of Directors of the Company for approval of the members of the Company.

None of the Directors of the Company are interested or concerned in the proposed Resolution.

Date : 30th June, 2005

Regd. Office :

Survey No. 72, Village : Palodia,

Tal : Kalol

Dist : Gandhinagar-382115.

On behalf of the Board

MUKESH BHANDARI

Chairman & Managing Director

DIRECTOR'S REPORT TO THE SHAREHOLDERS

To:

The Members,

Your Directors have pleasure in presenting the 19th Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended as on 31st March, 2005.

FINANCIAL RESULTS:

(Rs.Lacs)

| Year ending March 31, | 2005 | 2004 |
|--|-----------|----------|
| Sales and Other Income | 18,600.25 | 5,831.15 |
| Profit before Interest, Depreciation & Tax | 1,672.19 | 239.42 |
| Interest | 111.22 | 63.74 |
| Depreciation | 90.83 | 68.34 |
| Profit before Tax | 1,470.14 | 107.34 |
| Provision for Taxation | 120.00 | 32.00 |
| Net Profit | 1,350.14 | 75.34 |
| Surplus brought forward | 315.78 | 240.44 |
| Balance Carried forward | 1,513.69 | 315.78 |

DIVIDEND :

In view of the good performance of the operation during the year, the Directors recommend dividend of 15% on paid up equity capital and 6% (proportionately) on preference shares.

OPERATION :

Robust demand from Road, Building & Construction Sectors along with number of positive initiatives announced by the Central and State Governments have positive impacts on the prospects of Steel Industry.

During the year, your Company has achieved a turnover of Rs.18,320.12 Lacs in comparison to the turnover of Rs.5679.66 lacs of previous year, showing a tremendous growth of 222.56%. Net Profit after provision for taxation during the year is Rs.1350.14 Lacs against Rs.75.34 lacs during the previous year, which shows a growth of more than 17 times.

OUTLOOK FOR THE CURRENT YEAR :

In order to grab the vast opportunity opened up by the robust demand of steel from various sectors and number of initiatives announced by Central and State Governments, your company has started process of expanding its business through setting up of a most modern steel plant at Kutch at a total project cost of Rs.125.23 crores. This plant is likely to be one of the lowest cost steel producers in the country. The company got sanctions of term loans and working capital facilities from various banks/financial institutions for setting up of the said plant. The company commenced trial run of this plant and it will achieve its rated capacity in the current year.

The Company has completed the detailed engineering for the second phase of steel project. This phase consists of Pelletisation Plant, Direct Reduced Iron (DRI) Plant, Modern Alloy Steel Melting Facility and Rolling Mill for heavy structural and alloy steel rolled products. Project appraisal and tie with the banks/financial institutions for raising term loan and working capital facility for this phase are under progress.

Improvement under existing manufacturing facility for Induction Furnaces and addition of the new products from Kutch plant will further improve the performance of your company in the years to come.

WIND MILL DIVISION :

Wind mill division of the company has performed satisfactory during the year under review.

EXPORT :

Your Company's export continues to increase year by year. During the year, the same was Rs.3386.76 Lacs against Rs.2364.91 lacs during the previous year. Thus, export earnings of the company has increased by 43.20%.

QUALITY & ENVIRONMENT :

The best product, service quality and customer satisfaction are an integral part of your Company's vision.

DIRECTORS :

Mr. Harish Sharma, Director of the Company, retires by rotation and being eligible offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

1. In the preparation of the annual accounts for the year 2004-2005, the applicable accounting standards have been followed except the accounting standards 22.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit of the company for the financial year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

Company's paid up share capital is more than Rs.3.00 Crores. Therefore, provisions as to Corporate Governance Report as stipulated under clause 49 of the Listing Agreement became applicable. A separate section on Management Discussion and Analysis as well as on Corporate Governance along with a Certificate from the Auditors confirming the compliance is annexed and form part of this report.

RESEARCH & DEVELOPMENT :

The Company, through its Research & Development function, is developing a new power efficient process to produce steel through secondary process and is developing motors & controllers for Electric Bikes and Electric Scooters.

AUDITORS REPORT :

With regard to paragraph B (IV) of the Auditor's Report, your Board submits that provision for deferred tax liability in terms of Accounting Standard 22 issued by ICAI, New Delhi could not be made. The same will be made in coming years.

HUMAN RESOURCES :

Employees' relations continue to be cordial. Your Company continuously evolves policies and processes to attract and retain its substantial pool of scientific, technical and managerial resources through friendly work environment that encourages initiatives by individuals and recognizes their performance.

PARTICULARS OF EMPLOYEES :

The Company had no employee who was in receipt of remuneration more than Rs.24 Lacs per annum during the year ended 31st March, 2005 or more than Rs.2 Lacs per month during any part of the year.

PARTICULARS OF CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The additional information required under the provision of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report, is annexed hereto.

AUDITORS :

M/s Mehta Lodha & Co., Chartered Accountants, Ahmedabad, the present Auditors of the Company, retires at the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office, if re-appointed.

APPRECIATION :

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Government Authorities, Auditors and Share Holders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the company for its success.

Date : 30th June, 2005

Regd. Office : Survey no.72,

Village : Palodia, Taluka : Kalol

Dist. Gandhinagar-382115.

On behalf of the Board

MUKESH BHANDARI

Chairman & Managing Director

ANNEXURE TO DIRECTOR'S REPORT

Conservation of energy, technology absorption and foreign earning and outgo under Section 217 (1)(e) of the Companies Act, 1956 read with the Company's (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A] CONSERVATION OF ENERGY :

Being an engineering industry, avenues for conservation of energy are minimal. However, efforts are being made to conserve energy wherever possible.

B] TECHNOLOGY ABSORPTION :

a) Research & Development :

(i) Specific Areas :

- a) Development of Continuous Induction Furnace (CONTIFUR)
- b) Development of PLASMA LADLE Refining Furnace.
- c) Development of Motors and Controllers for Electric Bikes and Electric Scooters.

(ii) Benefits Derived :

- a) By development of CONTIFUR, steel will be manufactured at lower power consumption by secondary process. The Company has already installed First CONTIFUR on a commercial scale during the year.
- b) By development of Plasma Ladle Refining Furnace, the cost of production of steel through secondary metallurgy application will come down. The company has already installed Two Plasma Ladle Refining Furnace on a commercial scale during the year.
- c) Due to development of Motors and Controllers for Electric Bikes and Electric Scooters, The Company is now ready to produce Electric Bikes and Electric Scooters on commercial scale.

(iii) Future Plan of Action :

- a) Plan to develop more efficient furnaces and other equipments for the steel industry.

(iv) Expenditure on R & D :

| | | |
|---|---|-----------------|
| a) Capital Expenditure | : | Rs. 0.80 Lacs |
| b) Recurring Expenditure | : | Rs. 119.04 Lacs |
| c) Total Expenditure | : | Rs. 119.84 Lacs |
| d) Total R&D as a percentage of total turnover (net of Excise & Sales tax) | : | 0.65% |

b) Technology absorption, adaptation and innovation :

(i) Efforts Made :

Designs are being continuously improved to reduce power consumption, increase melting rate and make furnaces more efficient and reliable.

(ii) Benefits Derived :

Due to the above development and modification, company could establish its brand name in market and is able to increase its turnover.

(iii) Import Technology : NONE

C] FOREIGN EXCHANGE EARNINGS AND OUTGO :

(i) Activities Relating to Export :

The Company has been making efforts for direct exports at international level. Company has executed export orders worth of Rs. 3386.76 Lacs during the year and has further diversified its export market.

(ii) Total Foreign Exchange Earnings and Outgo :

| | | |
|------------------------------|---|------------------|
| a) Foreign Exchange Earnings | : | Rs. 3476.86 Lacs |
| b) Foreign Exchange Outgo | : | Rs. 1541.88 Lacs |

Date : 30th June, 2005

Regd. Office : Survey no.72,

Village : Palodia, Taluka : Kalol,

Dist. Gandhinagar- 382115.

On behalf of the Board

MUKESH BHANDARI

Chairman & Managing Director

FORM : A
(SEE RULE 2)

Form of disclosure of particulars with respect to conservation of energy.

A. POWER AND FUEL CONSUMPTION :

| PARTICULARS | 2004-2005 | 2003-2004 |
|--|-----------|-----------|
| I. ELECTRICITY | | |
| a. Purchased Units | 1240501 | 747210 |
| Total Amount | 6597363 | 3272779 |
| Rate per unit.(Rs.) | 5.31 | 4.38 |
| b. Own Generation | | |
| i. Through diesel generator (Units) | 27155 | 53640 |
| Unit per Litre. of Diesel Oil (Unit). | 3.21 | 2.40 |
| Cost per Unit.(Rs.) | 8.76 | 10.15 |
| ii. Through steam turbine/ generator (Units) | — | — |
| Unit per Litre. of Fuel Oil/Gas | | |
| II. STEAM COAL | | |
| Quantity | — | — |
| Total Cost (Rs.) | — | — |
| Average Rate (Rs.per mt.) | — | — |
| III. FURNACE OIL | | |
| Quantity | — | — |
| Total Cost (Rs.) | — | — |
| Average Rate (Rs.per mt.) | — | — |
| IV. OTHERS/INTERNAL GENERATION | | |
| Lignite quantity used | — | — |
| Total Cost (Rs.) | — | — |
| Rate per Unit (Rs.Per mt.) | — | — |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | Standards (if any) | Current Year | Previous Year |
|--|-----------------------|-----------------|------------------|
| 1. Electricity | | | |
| a) Electronic Furnaces KW/Furnaces | — | 4712 | 8430 |
| b) Induction Heating /Hardening Equipment KW/NO | — | | |
| c) Wind Generating Set KW / WIND MILL | — | | |
| 2. Furnace Oil | — | — | — |
| 3. Coal | — | — | — |
| 4. Lignite | — | — | — |

* Since they are manufactured in common manufacturing facility, it is not possible to work out separate power consumption per item per unit.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its inter-action with employees, shareholders, creditors, consumers and institutional and other lenders and places due emphasis on regulatory compliance.

Corporate governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of stakeholders. The principal characteristics of Corporate Governance are Transparency, Independence, Accountability, responsibility, Fairness and last but not least social responsibility.

With emphasis on transparency, integrity and accountability, the Board of Directors of the Company adopted the principles of good corporate governance by setting audit Committee, shareholders Committee since the year 2003. The Company, therefore, has developed systems that allow sufficient freedom to the board and the management to take decisions towards the growth of the Company while remaining within the framework of effective accountability. Given below is the report of the directors on corporate governance in accordance with the provisions of the listing agreement.

2. BOARD OF DIRECTORS:

The Board of Directors comprises of Six Directors all professionals in their own right. The composition of Board of directors, the number of other directorship or board committees of which he is a member/ chairman are as under ;

| Name and Designation of Directors | Category | No .of Board Meeting Attended | No. of other Directorship held in Cos. As on 31st March, 2005 | Attendance at last AGM | No. of Committee Positions held in other Cos. |
|---|------------------------------------|-------------------------------|---|------------------------|---|
| Mr. Mukesh Bhandari Chairman & Managing Director | Executive Director | 19 | 4 | Yes | NIL |
| Mr. Shailesh Bhandari Director | Executive Director | 19 | 6 | Yes | NIL |
| Mr. Harish Sharma Director | Executive Director | 16 | 1 | Yes | NIL |
| Mr. Narendra Dalal Director | Executive Director | 15 | NIL | Yes | NIL |
| Mr. Avinash Bhandari Director | Independent Non-Executive Director | 14 | 2 | NIL | NIL |
| Mr. Naveen Nakra ** Director | Independent Non-Executive Director | 10 | 2 | NIL | NIL |

** Mr. Naveen Nakra was appointed as Director of the company w.e.f. 09/09/2004 in the Board meeting held on 09/09/2004 subject to the approval of members in the ensuing Annual General Meeting.

BOARD MEETINGS :

The meetings of the Board of Directors are generally held at the Head office & works of the Company at Palodia. Meetings are scheduled well in advance. The Board meets at least once a quarter to review the quarterly performance and the financial results.

The General Manager-Finance in consultation with the Managing Director prepares the agenda for the meeting. The Board papers are circulated to the directors in advance. The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in the agenda for discussion.

The Board met Nineteen times on the following dates during the financial year 2004-2005 and the maximum time gap between two meetings did not exceed four months. (On 17/04/2004, 28/05/2004, 29/05/2004, 30/06/2004, 27/07/2004, 31/07/2004, 02/09/2004, 09/09/2004, 20/09/2004, 08/10/2004, 18/10/2004, 30/10/2004, 23/11/2004, 01/12/2004, 17/01/2005, 28/01/2005, 31/01/2005, 22/02/2005 and 11/03/2005.)