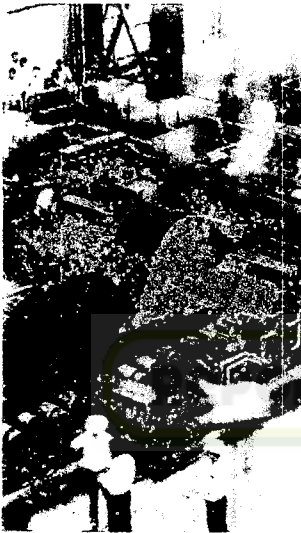
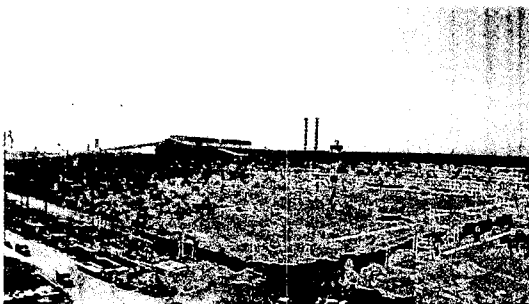
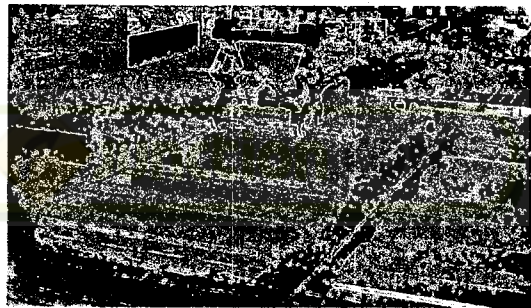




MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		



Essar Steel Limited



**Twenty Second
Annual Report 1997-98**

Essar Steel Limited

Board of Directors

Chairman	Shashi Ruia
Vice-Chairman	Ravi Ruia
Managing Director	Jatinder Mehra
Directors	Prashant Ruia S V Venkatesan S N Puri I C Jain D D Udeshi Sanjeev Shriya
Nominees	T M Nagarajan, IDBI Sanjivi Sundar, UTI Rita Vasan, ICICI
Company Secretary	A Kumaresan

BANKERS

State Bank of India
Punjab National Bank
Bank of India
Allahabad Bank
State Bank of Patiala
State Bank of Mysore
Indian Bank
State Bank of Saurashtra
State Bank of Indore
Sakura Bank

AUDITORS

M/s. Lovelock & Lewes
Chartered Accountants
Member firm of Coopers &
Lybrand (International)
Dubash House
15, J N Heredia Marg
Ballard Estate
Mumbai - 400 038

INTERNAL AUDITORS

M/s. B P Jain & Co.
Chartered Accountants
A-16, Everest, Tardeo Road
Tardeo, Mumbai - 400 034

SOLICITORS

M/s. Crawford Bayley & Co.
State Bank Buildings
NGN Vaidya Marg
Mumbai - 400 023

TRANSFER AGENTS

Data Software Research Co. Ltd.
Sree Sovereign Complex
No. 22, 4th Cross Street
Trustpuram, Kodambakkam
Chennai 600 024.
Tel: 044-4834487/3738/4441
Fax: 044-4834636

Registered Office

Post: Hazira Pin: 394 270
Dist: Surat
Tel: 0261- 626260
Fax: 0261- 626224/ 626462

Corporate Office

Essar House
11, Keshavrao Khadye Marg,
Mahalaxmi,
Mumbai - 400 034
Tel: 022- 4950606
Fax: 022- 4954283 / 4954291

Visit us at our website <http://essar.com>

Frnt Cover



Hot Strip Mill



Slab Handling Bay



Hazira Steel Complex

Operational Highlights

The year that was...

I. PRODUCTION

Hot Briquetted Iron

- Production up by 13% from 1,501,227 MT in the previous year to 1,701,477 MT.
- Operated at 97% capacity during the year.
- Capacity utilisation in Q4 peaked to 107%.

Flat Products

- Production of HR Coils up by 19% from 1,288,063 MT in the previous year to 1,530,847 MT.
- Operated at 77% capacity during the year.
- Capacity utilisation in Q4 peaked to 93% and in March 1998 to 103%.
- Liquid Steel production up by 34% from 1,151,315 MT in the previous year to 1,552,239 MT.
- Sheets and Plates production up by 50% from 178,763 MT in the previous year to 267,482 MT.

II. MARKETING

- HRC sales recorded a growth of 15% from 1.3 million MT in 1996-97 to 1.5 million MT in 1997-98.
- Domestic HRC sales up by 7% from 1.06 million MT in 1996-97 to 1.14 million MT in 1997-98.
- Export HRC sales up by 51% from 237,505 MT to 357,674 MT.
- Largest Exporter for the third year in succession.
- Average Sales realisation improved by 3%.
- Domestic flat products market share maintained at 20%.
- Market leader in niche segments of the domestic market.
- 30% market share of hot-rolled coils to the cold rolling/galvanising industry.
- 38% marketshare in the LPG cylinders.
- Dominant position in Western India.

III. FINANCIALS

- Essar Steel Turnover crosses Rs. 2500 crore.
- Gross Profit up by 34% to Rs. 759 crore.
- Maintained Highest Operating Margin at 30% amongst Domestic Steel Companies.
- Average Net Sales Realisation higher by 3%.
- Operating Cost down by 7%.

Review 1997-98

INDUSTRY PERFORMANCE : 97-98

Overall, the financial year (FY98) was a difficult year for the global steel industry despite a modest increase in consumption and prices in the developed economies, notably Europe and the US. After initial buoyancy, steel price uptrend was stalled considerably by the ASEAN crisis. The global trend increasingly influencing the Indian steel producers coupled with a slowdown in the economy and lower planned expenditure in infrastructure development resulted in stagnant demand for steel domestically. The woes of the industry have been aggravated by increase in prices of natural gas, power, petroleum products and hike in customs duty on certain inputs. Further, in the absence of any meaningful anti dumping measures, CIS countries have dumped steel into India at substantially lower prices adversely affecting the domestic players.

ESSAR STEEL'S PERFORMANCE

In spite of the difficult domestic and international steel scenario, the Company has put up an impressive all round performance over the previous FY. It has successfully mitigated the impact of lower prices through sustained cost reduction measures, especially metallic cost. There has been a distinct shift in exports away from the ASEAN region to the more attractive markets in Europe. Even in the domestic market, the Company has increased volumes by 7.5% bearing testimony to its product quality. It has also improved average realizations by 4% through judicious product mix enhancement. **These factors have resulted in a 34% improvement in EBITDA for FY98.**

PRODUCTION – HAZIRA COMPLEX

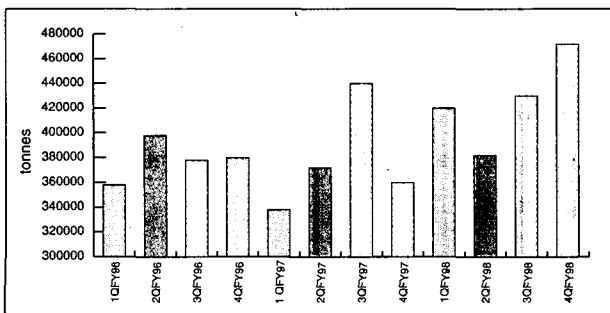
ASSURED CAPTIVE LOW COST INPUTS PROVIDE A COMPETITIVE ADVANTAGE

Hot Briquetted Iron (HBI)

The Company's HBI plant continued its operational excellence and achieved its highest ever 97% capacity utilisation with a production of 1.7m MT, 13% higher than FY97 levels. Of the total production of 1.7m MT approximately 90% (1.53m MT) was consumed in the manufacture of HRC and providing assured low cost high quality inputs to the state-of-the-art steel plant. This is a key advantage in light of increasing scrap prices. The HBI plant is presently operating entirely on captive iron ore pellets which has improved its cost competitiveness further.

HBI facility has ISO 9002 accreditation.

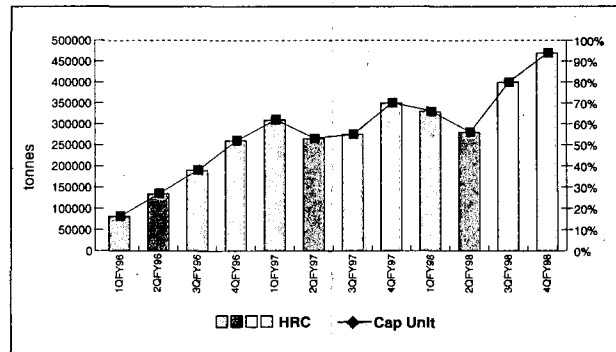
HBI Capacity utilisation trends



Hot Rolled Steel Coils (HRC)

The HRC plant produced 1.53m MT representing 77% average capacity utilisation and 19% increase in tonnage over the previous year. Capacity utilisation during Q4 was 93% and in March 1998 it peaked to 103%. Within a year of commercial operations, the facility was granted ISO 9002 certification.

HRC Capacity Utilisation trends



With stabilisation of the HRC plant, emphasis was on improving productivity and reducing costs, notably power, refractories and consumable consumption. The Company's operating costs are amongst the lowest in the world.

SERVICE CENTRE FACILITIES

The Service Centre is equipped with coil processing facilities comprising of two flying shear lines of capacity 0.2 mtpa each and two slitting lines of capacity 0.2 mtpa each, stabilised and registered 63% volume growth with higher price realisations. The hot skin pass/temper pass mill expected to be commissioned in June 1998 will enable the Company to cater to the thin gauge, wider width segments yielding higher price realisation from both domestic and export markets.

VIZAG PELLET COMPLEX

The project envisages slurry pipeline and pellet capacity of 7.8m MT of which pellet capacity of 3.3m MT has been set-up and trial production has commenced. Necessary actions have been initiated to complete the project by the year 2001.

ESSAR POWER LIMITED

Essar Power's 515 MW power project is fully operational under combined cycle mode; almost the entire power requirement of the Company's steel plant is met by Essar Power (under PPA for 215 MW). Essar Power is one of the major suppliers of power to GEB (PPA for 300 MW).

MARKETING

Domestic Market

MARKET LEADER IN NICHE SEGMENTS IN THE DOMESTIC MARKET

The Company has positioned itself amongst the leading HR producers and successfully replaced high value, high quality imports for cold rolling segment. It has a dominant

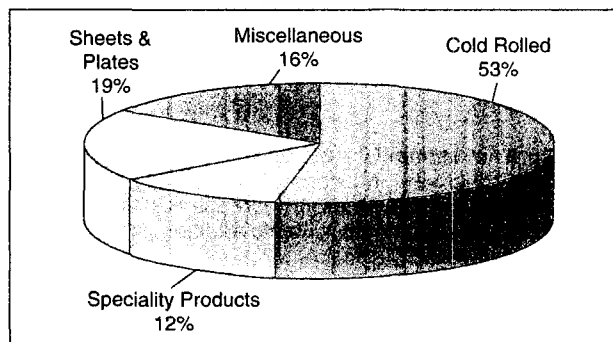
market share in cross-country oil/gas pipe lines segment, corrosion resistant steel and steel for compressed gas cylinders. In boiler quality and high tensile grade plates, its quality and acceptability is already well established. It is the only steel mill in India offering complete range of service centre facilities like hot skin pass mill, shearing and slitting facilities.

The Company commands a market share of 20% in the domestic Hot Rolled flat products market comprising of Cold Rolling / Galvanising (30%), LPG sheets (38%), Plates and Sheets (14%), Pipes and Tubes (5%) and others (13%). In FY99, the company proposes to achieve a 23% market share in the domestic Hot Rolled flat products through sharp focus on niche value-added products despite expected increased competition from new entrants.

The Company has emerged as a leading supplier to railways, electrical equipment manufacturers, automobile manufacturers etc. It is now targeting the absolute top end grades of Steel like API, high tensile low alloy steel etc. which are outside the range of production of most other mini mills in the world.

The company is the market leader in niche segments of the domestic market, catering to the cold rollers/galvanisers with cold rolling grades - deep drawing & extra deep drawing grades, high silicon grades for CRGO/CGNO, sheets and plates for the Oil & Refinery segment, Boilers & Pressure vessels, Cor-Ten for Railways & Marine Freight Containers, etc.

Domestic Hot Rolled Flats Product-Mix : FY98



Export Market

LARGEST EXPORTER OF HRC- MARK OF A QUALITY SUPPLIER

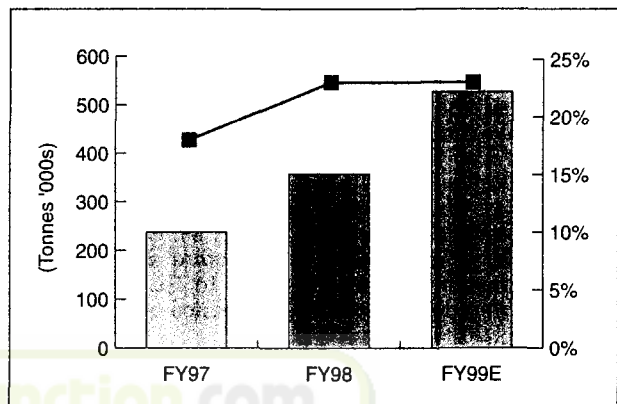
During FY98, the Company retained its status as the largest HRC exporter from India with exports of about 357,674 MT registering a growth of 51% over FY97 levels. More important is the successful relocation of export tonnages away from the ASEAN region to Europe thereby countering the impact of the currency crisis. **Total export earnings aggregated around US\$100m. This represents 42% increase over the previous year.**

It is the Company's conscious decision to maintain presence in the export markets which will enable it to widen its customer base and mitigate to some extent, any downturn in the domestic market. With this in view, it has

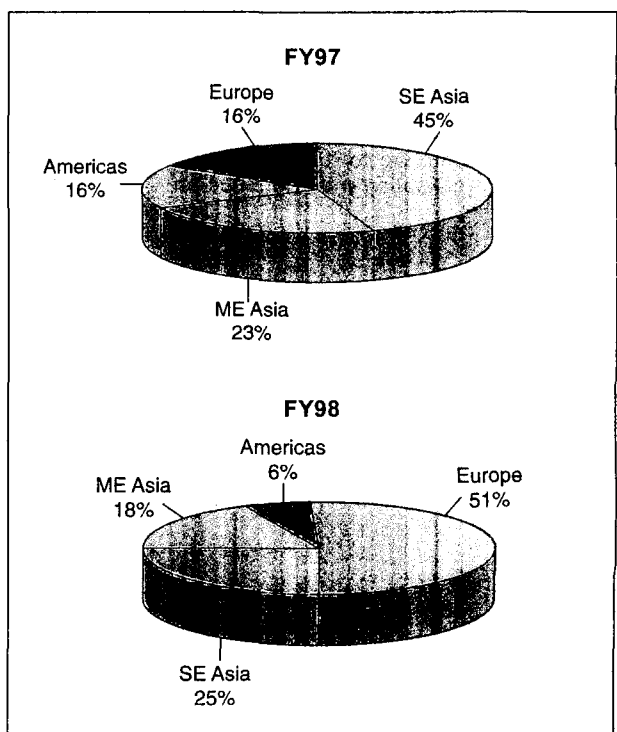
entered into long term contracts with reputed international steel majors like Klockner, Thyssen etc. bearing testimony to its product quality and adherence to exacting requirements.

In furtherance of the above, the Company has entered into long term contracts with Commercial Metals Company Limited (CMC Trading AG) Zurich, aggregating US\$335m for 3 and 5 years. These contracts impart twofold advantage of assured offtake, combined with flexibility of quarterly price fixation.

Export Tonnage Trend

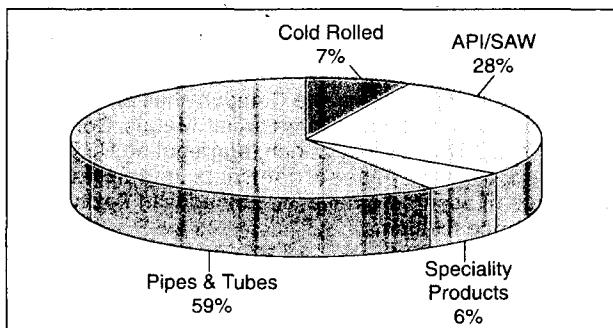


Export Areawise distribution



Essar Steel Limited

Export - Gradewise Distribution FY98



FINANCE

Higher sales volumes both in the domestic and export markets have translated into a 37% growth in total income. Higher capacity utilization has resulted in lower specific consumption especially in power, refractories and consumables. Coupled with around 3% improvement in net sales realizations, operating profit has increased by 34% from Rs.565.11 crore to Rs.785.99 crore and net profit has increased from Rs.9.62 crore to Rs.24.71 crore (157% growth) despite increase in finance costs.

FUTURE OUTLOOK

The Company expects to sustain higher operating rates in FY99 and thereby reduce per ton costs and improve margins. While price realizations may continue to be depressed in the near term, margin protection is sought to be achieved through increased volumes with sharp focus on high-value-added products, maintaining a regular and steady presence in the export markets to cushion domestic market downturns and reducing financing costs through cash flow management.

The marketing strategy lays emphasis on value added products and catering to the niche markets to increase the net sales realisation with the focus on

- Sectoral marketing with emphasis on end-users
- Project and trade marketing
- Steel service centres and distribution network
- Strategic downstream alliances
- Long term supply contracts

While there persist apprehensions about oversupply of HR products, we believe, the Company is better positioned vis-a-vis other new entrants as it has already established its presence in niche segments both in the domestic and international markets. Moreover, it is the only mill in India with the capability to roll upto 2000mm wide coils which opens new areas. In an era of increased competition, survival will be contingent upon achieving high operating rates thereby reducing costs and improved contribution through higher value addition wherein it is well positioned.

The government has clearly indicated its thrust on infrastructure development. Consequently, we expect plan expenditure to increase with concomitant demand impetus for steel by 2HFY99. Moreover, we expect a positive result of the Government of India's probe into the dumping charges against Russia, Ukraine and Kazakhstan especially in light of the expeditious imposition of such imposts by many of the ASEAN countries. This will provide legitimate protection to the domestic industry.

FUTURE PLANS

In its effort to further reduce metallic and energy costs, the Company is also in the process of exploring further avenues in terms of investment in a hot metal complex to provide hot metal for the furnaces and a beneficiation cum slurry pipeline aimed at reducing pellet costs and improving on the quality.

The future investment is aimed at cost reduction and improve productivity and capacity by setting up a blast furnace which would eventually increase HRC capacity to 3 million tonnes per annum with the addition of necessary balancing facilities.

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of **ESSAR STEEL LIMITED** will be held at the Registered Office of the Company at Post Hazira, Pin 394270, Dist. Surat, on **Friday, July 10, 1998 at 2.30 p.m.** to transact with or without modifications, as may be permissible, the following business as :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 1998 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of **Shri R N RUIA** who retires by rotation as a Director and, being eligible, offers himself for reappointment.
3. To appoint a Director in the place of **Shri S V VENKATESAN** who retires by rotation as a Director and, being eligible, offers himself for reappointment.
4. To appoint a Director in the place of **Shri S N RUIA** who retires by rotation as a Director and, being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

"RESOLVED THAT pursuant to Section 81 and other applicable provisions of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions as may be necessary from the Government of India (GOI), Reserve Bank of India (RBI), and / or any other authorities or institutions as may be relevant, the Board of Directors of the Company (hereinafter called "The Board" which shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this resolution) be and it is hereby authorised to offer / issue and allot Equity / Preference Shares, Fully / Partially Convertible Bonds/Debentures, Depository Receipts, any other instruments / securities in the nature of Shares / Debentures / Bonds, Securities in registered or bearer forms, warrants convertible into Shares alongwith any such securities in the international Market to Foreign Institutional Investors/ Foreign Companies, whether incorporated or not/ Overseas Corporate Bodies (OCBs) / Foreign Nationals/ Non-Resident Indians (NRIs)/ Promoter(s) and/or their Associates, such other entities as may be decided by the Board through Prospectus, Offering Letter, Circular or through any other mode on private placement, preferential basis as the case may be from time to time in one or more tranches, as may be deemed appropriate by the Board for an amount not exceeding **US\$ 400 Million** on such terms and conditions including pricing as the Board may in its sole discretion decide.

RESOLVED FURTHER THAT for the purposes of giving effect to this resolution, the Board be and it is hereby authorised to do all acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the issue proceeds as it may deem fit."

7. To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:-

RESOLVED THAT the authorised share capital of the Company be and it is hereby increased from **Rs. 500 crore** (Rupees five hundred crore only) divided into

- 48,95,00,000 (Forty eight crore and ninety five lakh) Equity shares of Rs.10/- (Rupees Ten only) each,
- 50,000 (Fifty Thousand) - 11% (eleven percent) Preference shares of Rs. 100 (Rupees One Hundred only) each and
- 10,00,000 (Ten lakh) - 14% (fourteen percent) Redeemable Cumulative Preference shares of Rs. 100 (Rupees One Hundred only) each

to **Rs.600 crore** (Rupees six hundred crore only) divided into

- 50,00,00,000 (fifty crore) Equity shares of Rs. 10/- (Rupees Ten only) each and
- 1,00,00,000 (one crore) Redeemable Cumulative Preference shares of Rs.100/- (Rupees one hundred only)

and consequently the existing clause V of the Memorandum of Association of the Company be and it is hereby altered by deleting the same and substituting in place and stead thereof the following new clause:

V. "The Authorised Share Capital of the Company is Rs. 600.00 Crore (Rupees Six Hundred Crore only) divided into 50,00,00,000 (Fifty Crore) Equity Shares of Rs.10/- (Rupees Ten only) each and 1,00,00,000 (One Crore) Redeemable Cumulative Preference Shares of Rs.100/- (Rupees One Hundred only) each with power to increase or reduce the same in accordance with the provisions of the Companies Act, 1956."

8. To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force) and other applicable provisions, if any, the Articles of Association of the Company be and it is hereby amended in the manner set out below:

- i) The words "of 11% per annum" be **deleted** from para (2) of the existing clause 5A.
- ii) The last paragraph in the existing clause 5A be **substituted** with the following: "The Redeemable Cumulative Preference Shares shall be liable to be redeemed either in whole or in part at the discretion of the Board of Directors of the Company as per the relevant provisions set out in the Companies Act, 1956."

9. To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and it is hereby accorded to the Board of Directors to acquire/ purchase any of its own shares on such terms and conditions and upto such limits as may be prescribed by law from time to time provided that such purchase of shares be not construed as reduction in capital under sections 100 to 104 and 402 of the Companies Act, 1956 and that the Board of Directors be and it is hereby authorised to do all such acts, deeds, matters and things as may be necessary or proper to implement the resolution."

NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the Special Business Item Nos. 6 to 9 is annexed herewith.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. **The Registrar of Members and Share Transfer Books of the Company will remain closed from Monday, July 6, 1998 till Friday the July 10, 1998 (both days inclusive).**
4. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the Registered Office of the Company on all working days between 11.00 am and 1.00 pm upto the date of the Annual General Meeting.

Essar Steel Limited

5. Pursuant to Section 205A of the Companies Act, 1956 the unclaimed dividend for the financial year ended March 31, 1994 have been transferred to General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said year are requested to claim the amount from the Registrar of Companies, Ahmedabad, Gujarat. Members who have not encashed their dividend warrants for the years/period ended March 31, 1995, March 31, 1996 and March 31, 1997 may approach Company's R&T Agents for revalidating the warrants and/or for obtaining duplicate warrants. **The unclaimed dividend for the period ended March 31, 1995 is due for transfer to General Revenue Account of the Central Government on November 14, 1998.**
6. **Members are requested to notify any change in their address to the Company's R & T Agents, Data Software Research Co. Ltd. Sree Sovereign Complex No 22, 4th Cross Street Trustpuram, Opp. Play Ground, Kodambakkam, Chennai 600 024.**
7. **Members / Proxies should bring the attendance slip duly filled in for attending the meeting.**
8. **Members desiring any information as regards the Accounts are requested to write to the Corporate office at least 15 days before the date of the meeting, as to enable the management to keep the information ready.**

9. **Members may note that the Company has been admitted to the National Depositories Limited (NSDL) and the equity shares are now available for scripless trading in the electronic format.**
10. **Members may also note that the equity shares of the Company has been recently listed on the National Stock Exchange, apart from Vadodara, Mumbai, Ahmedabad, Bangalore, Calcutta, Chennai and Delhi Exchanges.**
11. **Members may be pleased to know that the Company is now accessible on the internet at the website www.essar.com. Members may access the website for the latest information on the Company and also download the financial information of the Company for the last three years including the Annual Report for the year ended March 31, 1998. If you desire to contact the company on any of your investor related issues please visit Investor Relations Forum in the website.**

Mumbai
May 21, 1998

By Order of the Board
A Kumaresan
Company Secretary

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

Pursuant to Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out the material facts relating to item nos. 6 to 9 mentioned under the heading **SPECIAL BUSINESS**:

ITEM NO. 6

The members had originally approved at the 20th Annual General Meeting held on September 24, 1996 a resolution, to raise an amount of US\$200 million at the appropriate time by way of issue of various securities in the International Market. The Company has not so far raised any amount under this authorisation.

Due to efflux of time, the authorisation given by the Members to the Board may not be valid, to certain kinds of issue. The Company is also consciously making all efforts to substitute the high cost domestic debt with low cost international borrowings for better realisation. The Company further requires additional funds to meet margin money for larger working capital due to increased operations, to meet normal capital expenditure and to meet planned additional capital expenditure to enhance capacity which automatically improves profit margins.

After receiving appropriate approvals, the issue is intended to be made to the foreign investors. In the likelihood of the issue being fully underwritten or subscribed by one or a few select group of investors, which may include collaborators, companies in steel and related industries, financial investment companies, promoters and/or their associates, the Company has been advised, that such offer to the select group of investors may attract the provisions of the SEBI / RBI guidelines on preferential issues.

In view of the above, your approval is sought to raise funds not exceeding US\$400 Millions in the international market under this resolution which would give adequate flexibility to the Board to make the international offer either to the investors at large or to select group of investors. The detailed terms and conditions for the international offer will be determined in consultation with lead managers and / or such other agencies to the issue. Wherever applicable, the pricing of the issue will be done as per the relevant guidelines of SEBI, RBI and other relevant authorities that may be in force at the time of the issue.

Your Directors, therefore, recommend the resolution for your approval.

At present, none of the Directors is concerned or interested in the resolution.

ITEM NO. 7

In view of the proposal contained in the notice to raise funds from the overseas market, it is necessary to increase the Authorised Share Capital of the Company. Accordingly, the resolution at item no. 7 seeks to increase the authorised share capital and amend the capital clause contained in the Company's Memorandum of Association.

Your directors, therefore, recommend the resolution for your approval.

ITEM NO. 8

To bring Article 5A of the Articles of Association of the Company in line with the amendment to Section 80 of the Companies (Amendment) Act, 1996, which states that no Company can issue any preference shares which is irredeemable or redeemable after the expiry of a period of twenty years from the date of its issue, this amendment to the Article is proposed.

Your directors, therefore, recommend the resolution for your approval.

ITEM NO. 9

Section 77 of the Companies Act, 1956 restricts the Company to purchase its own shares unless the same is done with a view to reduce its capital in pursuance of Sections 100 to 104 and 402 of the Companies Act, 1956. However, it is anticipated that the Companies Act, 1956 may be amended to provide for buy back of its own shares subject to certain conditions. Such buy back of shares, if permitted, is expected to enhance the shareholders value. Hence the Directors feel that it would be desirable to have an enabling power from the shareholders for this purpose, as set out in item No. 9 of the notice.

Your directors, therefore, recommend the resolution for your approval.

Mumbai
May 21, 1998

By Order of the Board
A. Kumaresan
Company Secretary

DIRECTORS' REPORT

To the Members of **Essar Steel Limited**

Your Directors have pleasure in submitting the **twenty-second** Annual Report of your Company together with the Audited Accounts for the year ended March 31, 1998.

1.0 OPERATIONS

Your Company could achieve 103% of rated capacity production in the month of March 1998 which is the landmark performance of HRC production, that too in the very second year of Commercial Operation.

The production level registered an increase of 19% over the previous year from 1,288,063 MT to 1,530,847 MT thereby achieving 77% average capacity utilisation for the whole year compared to 64% in the previous year. The production of Liquid Steel, Slab, Sheets and Plates registered an increase of 34%, 35% and 50% respectively over the previous year. This is despite loss of approximately 45 days of full operations due to fire in Caster Shop in July 1997 and transporters' strike in April 1997.

The HBI production registered an all time high of 1,701,477 MT representing 97% of rated capacity. Major portion of this was captively consumed for Steel making saving precious foreign exchange required for import of scrap.

The income from Sales registered an increase of 37% over the previous year and the total income surpassed Rs. 2500 crore mark. For the third year in succession, the company retained the premier position of largest exporter of HR Flat products by exporting 357,674 MT mainly to Middle East and West European markets. Your company is the first to securitise its export receivables by entering into a long term contract with CMC Trading AG, Zurich for export of Steel Products. The company through this process has raised Export Advance aggregating to USD 335 million which was mainly utilised to augment the Long Term Resources of the Company.

The Steel Industry as a whole suffered due to the recession in the economy, dumping of Steel by CIS countries coupled with unprecedented debacle of the South East Asian currencies. Your company's performance is heartening inspite of the above unfavourable factors.

The expected stability in the Government, anticipated balanced budget, increased focus on infrastructure development, anti dumping duty on CIS imports on the anvil and a determined effort by the Government to increase the exports is likely to give a philip to the domestic demand but the higher thrust on exports would be a mainstay.

2.0 FINANCIALS

2.1 SHARE CAPITAL

The paid up capital of the Company as at March 31, 1998 is Rs. 330.35 Crore and the net worth stands at Rs. 2414.09 crore.

2.2 THE FINANCIAL RESULTS

(Rs. in Crore)

Particulars	Year ended March 31, 1998	March 31, 1997
Gross Profit before Interest,		
Depreciation and Taxation	758.98	565.11
Less : Interest	406.86	285.71
Profit before Depreciation and Taxation	352.12	279.40
Less : Deferred revenue expenses	32.79	20.23
Less : Depreciation	292.32	248.12
Profit before Tax	27.01	11.05
Less : Provision for Taxation (MAT)	2.31	1.43
Profit after Tax	24.70	9.62
Add : Balance brought forward from the previous year	200.89	366.86
Add : Transfer from Investment Allowance Reserve (utilised)	8.75	0.03
Total amount available for appropriations	234.34	376.51
Less : Appropriations		
Proposed Dividend	—	33.42
Provision for Tax on Dividend	—	3.34
Debenture Redemption Reserve	72.22	138.31
Capital Reserve	—	0.55
Total	72.22	175.62
Balance carried forward to next year	162.12	200.89

In order to conserve the resources, in light of the sluggish steel market conditions, your Board of Directors have not recommended any dividend.

3.0 ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions 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, are given in the Annexure.

4.0 DIRECTORS

The appointments of Shri Jatinder Mehra as Managing Director of the company and Shri S N Puri as Wholtime Director (Finance) were approved by the members in the last Annual General Meeting held on September 18, 1997.

Shri C S Pani (UTI nominee), Shri J K Tandon (Wholtime Director) and Shri P S Subramanyam (IDBI nominee) resigned from the Board with effect from September 22, 1997, October 1, 1997 and March 6, 1998 respectively and the Board placed on record appreciation for the invaluable contributions made by them during their tenure.

Shri Sanjivi Sunder and Shri T M Nagarajan were appointed as nominee directors of UTI and IDBI with effect from November 6, 1997 and March 6, 1998 respectively.

Shri K R Ramamani passed away on March 6, 1998. The Board noted with deep regret the sad demise of Shri Ramamani who had actively associated with the Company from inception till his passing away. He was a pillar of strength on all tax matters.

Shri R N Ruia, Shri S V Venkatesan and Shri S N Ruia are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

5.0 PERSONNEL

Your Company has a highly dedicated technical and professional team to manage various Operations. Your Directors wish to place on record their appreciation for the contribution made by the employees for its success.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975 are given in the statement forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining a copy of the particulars may write to the Company Secretary at the Registered Office of the Company.

6.0 AUDITORS' REPORT

Your Company's Auditors, M/s. Lovelock & Lewes, Chartered Accountants, will retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed. The Board recommends their re-appointment.

7.0 ACKNOWLEDGMENT

Your Board places on record its gratitude to Company's valued Customers, Suppliers, Dealers, Central and State Governments, Bankers, Financial Institutions, Members, International Lenders and Investing Public for their continued support and confidence in the Company.

For and on behalf of the Board

Mumbai
May 21, 1998

S N Ruia
Chairman