

15th
ANNUAL REPORT
2001 - 2002

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GSAL
GSAL (INDIA) LIMITED

GS. - (INDIA) LIMITED

BOARD OF DIRECTORS

SRI. A. KRISHNA MURTHY	CHAIRMAN
SRI. C.V. HANUMANTHA RAO	DIRECTOR
Dr. J. BAPU REDDY	DIRECTOR (Nominee of APIDC)
SRI. A.V. SUNIL	DIRECTOR (Nominee of IDBI)
	(Up to 25-10-2002)
SRI K.P. PATNAIK	DIRECTOR (TECH)
	(Up to 06-06-2002)
SRI M. RADHAKRISHNA	DIRECTOR (FINANCE)
SRI N. KRISHNA MOHAN	MANAGING DIRECTOR

STATUTORY AUDITORS

M/s. N. Lakshminarayana Associates
Chartered Accountants
302, Gupta Estates, Basheerbagh,
HYDERABAD - 500 004.

BANKERS

IDBI BANK
STATE BANK OF INDIA
STATE BANK OF HYDERABAD
BANK OF BARODA

FACTORY

SREERAMPURAM
L. Kota Mandal
Vizianagaram District,
ANDHRA PRADESH

Admn. Off:
6-3-668/10/66,
Durganagar Colony,
Punjagutta, Hyderabad - 500 082.
Phone : 55612374, 2341 12 51

Regd. Off:
6-3-802, Ameerpet,
Hyderabad - 500 016.

SHARE TRANSFER AGENTS

M/s. SIDVIN FIN.CON. SER.PVT. LTD
6-3-802, Ameerpet,
Hyderabad - 500 016.

ELECTRONIC AGENTS

M/s. VENTURE CAPITAL AND
CORPORATE INVESTMENTS LTD.,
12-10-134, (MIG - 134)
2nd Floor, Bharatnagar Colony,
Hyderabad - 500 038.
Ph.no(s) - 040-23712250/53
Fax : 040-23712257
E-mail : venture_cap_hye@rediff.com

GSAL (INDIA) LIMITED**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the 15th Annual General Meeting of the Members of the Company will be held on Saturday the 28th December, 2002 at 11.00 AM at the Administrative office of the company, 6-3-668/10/66, Durganagar Colony, Punjagutta, Hyderabad - 500 082 to transact the following Business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th June, 2002 and the Balance Sheet as on that date and the Auditors and Directors Report thereon.
2. To appoint a Director in place of Sri A. Krishna Murthy, who retires by rotation and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Lakshminarayana Associates, Chartered Accountants, Hyderabad, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration and out of pocket expenses as may be fixed by the Board of Directors of the Company".

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and any other provisions as may be applicable, if any and the provisions of other status as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company, be and are hereby altered in the following manner:

Under the heading "Transfer and Transmission of Shares" after 17(d) of the Articles of Association, the following new Articles 17(e) and (f) be inserted as follows :

Article 17(e) : Nomination

A holder or joint holder(s) of shares in or debentures (including the Fixed Deposit holder under Section 58 A of the Companies Act, 1956), of the Company may nominate, a person in the prescribed manner to whom the shares and / or the interest of the members in the capital of the Company debentures of the Company shall vest in the event of the holders death. Such member may revoke or vary his/her nomination, at any time, by notifying the same to the company to that effect. Such nomination shall be governed by the provisions of Section 109A and Section 109B of the Act or such other regulations governing the matter from time to time".

Article 17 (f) : Dematerialisation of Securities

"Beneficial Owner" shall have the meaning assigned thereto in section 2 of the Depositories Act, 1996.

"Depositories Act" shall mean the Depositories Act, 1996 or any statutory modification(s) or re-enactment thereof :

GSAL (INDIA) LIMITED

"Security" means such security as may be specified by SEBI from time to time.

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Every person subscribing to acquiring securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificate(s) or securities.

If a person opt to hold his securities with a depository the details of allotment of the security and, on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of securities.

All securities held by depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.

- (1) Notwithstanding anything to the contrary contained in the Act or the Articles a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owner.
- (2) Save as otherwise provided in (i) above, the depository as registered owner of the securities shall not have any voting rights or any other of the securities held by it.
- (3) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be member of the Company. The beneficial owner of the securities shall be entitled to all rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

Notwithstanding anything contained in the Act or the Articles to the contrary, where securities are held in a depository the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Nothing contained in Section 108 of the Act or the Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of the depository.

Notwithstanding anything in the Act or the Articles, where a depository deals with securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Nothing contained in the Act or the Articles regarding necessity of having distinctive numbers of securities issued by the Company shall apply to securities held in a depository.

The Register and Index of Beneficial Owners, maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of the Articles.

By Order of the Board of Directors
for GSAL (INDIA) LIMITED

Place : Hyderabad
Date : 11-11-2002

N. KRISHNA MOHAN
MANAGING DIRECTOR

GSAL (INDIA) LIMITED**Notes :**

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Business set out under item No(s) 4 of the Notice is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND PROXY NEED NOT BE A MEMBER. THE INSTRUMENT OF PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books will remain closed from 25th day of December, 2002 to 28th December, 2002 (Both days inclusive).
4. Members are requested to notify immediately any change in their address to the Company / Share Transfer Agents quoting their Folio number.
5. Members holding shares in Electronic form are requested to inform the Changes, if any, in their address to the Depository Participant with whom the Demat Account is maintained.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 4****NOMINATION :**

The Companies (Amendment) Act, 1999 introduced new Sections 109A and 109B providing the holder(s) of security of the Company an option to nominate a person to whom the rights of the security holder(s) be vested in case of holder(s) death.

DEMATERIALISATION OF SECURITIES :

The Securities and Exchange Board of India (SEBI). vide its circular bearing Ref.no. SMRDP/POLICY/CIR-23/2000, dated 29, 2000 has decided to add 2562 scrips to the existing 579 scrips for compulsory dematerialised trading by all class for investors in 9 phases. The aforesaid SEBI's directive makes it obligatory for the Company to admit its securities in the both the depositories vis., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited and establish connectivity before 26th December, 2001 to enable dematerialised trading from the said date.

Board has consented to amend the Articles of Association of the company, at their meeting held on 11th November, 2002 which is subject to the approval of the members of the Company. The resolution set out at this item of the Notice is proposed for approval of the members of the Company in tune with the amendments made to provisions of the Companies Act, 1956.

The Directors recommend the resolution for members favourable consideration.

None of the Directors of the Company are interested in the above resolution except to the extent of being shareholders of the Company.

By Order of the Board of Directors
for GSAL (INDIA) LIMITED

Place : Hyderabad
Date : 11-11-2002

N. KRISHNA MOHAN
MANAGING DIRECTOR

GSA - (INDIA) LIMITED**DIRECTOR'S REPORT****Dear Shareholders'**

Your Directors have pleasure in presenting you the 15th Annual Report together with the Audited Statement of Account for the year ended 30th June, 2002.

OPERATIONS :

The members are aware that with the limited working capital released by the Financial Institutions, the Company is continuing the operations on limited scale. Efforts are continuing to improve the operators within these limitations and the management expects the situation to improve in the coming months. The company has been able to achieve a turnover of Rs. 39.56 Crores with a gross profit of Rs. 7.39 Lakhs but for paucity of working capital and the resultant utilisation, the achievements of the Company would have been much better.

The members are aware that the Company has been registered with BIFR vide Reg. No.59/99. Several packages submitted to the Operating Agency (O.A) i.e., IDBI could not meet the approval of the institutions and unfortunately despite the sincere efforts of the management, the Hon'ble members of the BIFR have opined that the Company is not viable and has to be wound up, accordingly passed orders at the meeting held on 26th September, 2002. However, an appeal has been made to AAIFR while efforts are continued to rope in the resourceful group who could bring in necessary financial inputs to restructure the debt of the Company or settle the dues of the Institutions by one time settlement (OTS) in order to find a permanent solution for the revival of the Company.

FINANCIAL RESULTS :

The Financial results of the Company for the year under review are given below

Particular	(Rs. in Lacks) For the year ended June 30, 2002
1. Sales	3956.82
2. Other Income / Stocks	207.19
3. Expenditure	4156.63
4. Gross Profit / Loss	7.38
5. Interest	165.34
6. Profit / Loss before Tax	(157.96)

FUTURE PROSPECTS :

The Steel Industry in general and the Sponge Iron Industry in particular have registered substantial growth in demand during the year under review. The prospects for further stability in the coming years is seen from the fact that the demand for steel in the International market has substantially gone up, the availability of melting scrap even at a high cost has become bleak and therefore the Sponge Iron Industry in India has got good prospects. This is reflected in increased price realisations and sustained demand for the product. The availability of metallics and the inputs for the DRI industry and required specs has become a matter of serious importance and therefore it is strongly felt that price realizations in the coming years would be attractive and taking the advantage of the situation prevailing in the industry, your management is trying to bring the company out of present problems.

GSAL (INDIA) LIMITED**DIRECTORS :**

Sri. A. Krishna Murthy who retires by rotation and being eligible offers himself for re-appointment.

During the year Sri. K.P. Patnaik, Director (Technical) has resigned w.e.f. 06-06-2002 due to his preoccupation and ill health. We place on record appreciation of valuable services rendered by him as director of the company.

During the period Sri. A.V. Sunil was nominated by IDBI on the Board in place of Sri. S. Andl and Nomination of Sri.A.V. Sunil, Director (Nominee of IDBI) was withdrawn by the IDBI w.e.f. 25th October, 2002.

DIRECTORS RESPONSIBILITY STATEMENT :

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956.

1. That in the preparation of the annual accounts for the year ended 30th June, 2002 the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That such accounting policies as mentioned in Schedule P to the Annual Accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on 30th June, 2002 and of the loss of the Company for that period.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities
4. That the Annual Accounts for the year ended 30th June, 2002 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The requirement of Clause 49 of the Listing Agreement the Company has complied with Corporate Governance Code to the extent and in the manner set out in the Annexure, which forms part of this report.

AUDIT SUB-COMMITTEE

Pursuant to the provision of Section 292A of the Companies Act, 1956, Audit Sub Committee has been constituted with the following Directors :

- 1) Sri. A. Krishna Murthy
- 2) Sri. C.V. Hanumantha Rao
- 3) Sri. N. Krishna Mohan

AUDITORS :

The report of the Auditors and the notes referred to in the Auditors report are self explanatory.

M/s. N. Lakshminarayana Associates, Chartered Accountants, Hyderabad, the Statutory Auditors of the Company hold office until the conclusion of this Annual General Meeting and are recommended for reappointment till the conclusion of the next Annual General Meeting. The Company has received a certificate from them that their reappointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial.

FIXED DEPOSITS :

Your Company has not accepted any Deposits from the public during the period under review.

GSA_ (INDIA) LIMITED**(PARTICULARS OF EMPLOYEES SECTION 217 (2A) :**

As per the Companies (Particulars of Employees) Rules, 1975 as amended the details under Sec 217(2A) of the Companies 1956 are required to be published only in respect of employees who were in receipt of monthly remuneration of Rs. 2 lakhs and above during the year 2001-2002. The Company had no employee receiving a monthly remuneration of Rs. 2 Lacks and above during the year. As such furnishing the particulars under Sec 217(2A) does not arise.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO :

The information with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

ACKNOWLEDGMENTS :

Your Directors Acknowledge with thanks the cooperation and support received by the Company from the Financial Institutions and Banks, State and Central Governments, Your Directors also wish to place on record their appreciation of the sincere and dedicated services rendered by all the Officers and Employees of the Company.

By order of the Board of Directors
for GSAL (INDIA) LIMITED

Place : Hyderabad
Date : 11.11.2002

C.V. Hanumantha Rao
Director

N. Krishna Mohan
Managing Director

REPORT ON CORPORATE GOVERNANCE :**1. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :**

The Company's philosophy of Corporate Governance aims at assisting the Management of the Company in the efficient conduct of its business and in meeting its responsibilities to all the stake holders. It is towards this end that efforts are made to maintain high standards of disclosure to the shareholders and internal compliance guidelines for better Corporate Governance.

2. BOARD OF DIRECTORS :

The Board of Directors consists of 5 members. Two of the Director are Managing Director & Director (Finance) and one director is nominated by APIDC rest of the two directors are independent directors.

3. TENURE:

As per the provisions of the Companies Act, 1956, two third of the Board of Directors (excluding Institutional Nominee Directors and Managing Director and Director Finance) should be retiring by rotation. One of these Directors are required to retire every year, and if eligible, these Directors qualify for re-appointment.

The Managing Director and Director Finance were appointed by the Shareholders for a period of five years subject to eligible for re-appointment on completion of tenure. The tenure of the Managing Director and Director Finance is up to 30-09-2005.

GSAL (INDIA) LIMITED**4. BOARD MEETINGS :**

Details of Board Meetings held and attended by the Directors;

Name of the Director	Dates of the Board Meeting and their attendance by the Director				A.G.M.
	27/9 2001	15/11 2001	26/12 2001	27/4 2002	26.12.2001
1. Sri. A. Krishna Murthy	L.A	L.A	L.A	P	-
2. Sri. C.V. Hanumantha Rao	P	P	P	P	P
3. Dr. J. Bapu Reddy (Nominee-APIDC)	P	P	L.A	P	P
4. Sri.R.S. Vidyasagar (Nominee IDBI)	P	-	-	-	-
5. Sri.S. Andi (Nominee IDBI)	-	P	L.A	P	-
6. Sri.K.P. Patnaik	P	P	P	P	P
7. Sri.M. Radhakrishna	P	P	P	P	P
8. Sri.N. Krishna Mohan	P	P	P	P	P

P : Present**L.A : Leave of absence granted**

The Company has held 5 Board Meetings during the Year on dates mentioned above.

5. REMUNERATION OF DIRECTORS :

The Company does not have a formal Remuneration Committee. The Company pays sitting fees to all the Non-executive Directors at the rate of Rs.250 for each meeting. The details of Commission and sitting fees paid to the Non-executive Directors for attending Board Meetings and Committee Meetings during the Financial year 2001-02 are as follows:

S.No.	Name of the Director	Sitting Fees Rs.	Total Rs.
1.	Sri. A. Krishna Murthy	250/-	250/-
2.	Sri. C.V. Hanumantha Rao	1000/-	1000/-
3.	Dr.J. Bapu Reddy (Nominee-APIDC)	750/-	750/-
4.	Sri.R.S. Vidyasagar (Nominee-IDBI)	250/-	250/-
5.	Sri.S. Andi (Nominee-IDBI)	500/-	500/-

The remuneration paid to the Managing Director, Director (Tech) and Director (Fin) during the year 2001-02 are as follows :

S.No.	Name	Salary	Prov.Fund	Total
1.	Sri.M. Radhakrishna	1,80,000	6,400	1,86,400
2.	Sri.K.P. Patnaik (Up to 06-06-2002)	1,68,000	—	1,68,000
3.	Sri.N. Krishna Mohan	—	—	NIL

GS. - (INDIA) LIMITED**NUMBER OF OTHER DIRECTORSHIPS OF THE DIRECTORS :**

Sl.No.	Name of the Director	Other Directorships
1.	Sri.A.Krishna Murthy	NIL
2.	Sri.C.V.Hanumantha Rao	NIL
3.	Dr.J.Bapu Reddy (Nominee-APIDC)	NIL
4.	Sri.R.S.Vidyasagar (Nominee-IDBI upto 04-10-01)	1. Kerbs Biocem.Ltd 2. My Home Cements Ltd. 3. Sri Vajra Granites Ltd.
5.	Sri.S.Andi (Nominee-IDBI up to 17.9.02)	1. APSFC 2. APIDC 3. APITCO 4. APGPCL 5. Sanghi Spinners Ltd. 6. Synergies Dooray Auto Ltd.
6.	Sri.A.V. Sunil (Nominee-IDBI Upto 25-10-02)	1. My Home Cements Ltd.
7.	Sri.K.P.Patnaik (Upto 06-06-02)	NIL
8.	Sri.M.Radhakrishna	NIL
9.	Sri.N..Krishna Mohan	1. Sri Chakra Cements Ltd Wholetime Director

The meeting of the Board of Directors are held at the Administrative Office at Hyderabad. The Board meets atleast once in a quarter to review the quarterly performance and financial results.

7. AUDIT COMMITTEE :

In Compliance with Clause 49 of the Listing Agreement and pursuant to the provision of Section 292A of the Companies Act, 1956 the Board of Directors of the Company has constituted an Audit Committee comprising of three directors viz., Sri.A.Krishna Murthy, Sri.N.Krishna Mohan and Sri.C.V. Hanumantha Rao.

The terms of reference stipulated by the Board to the Audit Committee are as follows :

- a. Recommending the appointment and removal of external auditors, fixation of audit fee and approval for payment for any other expenses.
- b. Reviewing with the Management, the annual financial statement, before the submission to the Board, focussing primarily on :
 - Any change in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualification in Draft Audit Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and Legal Requirements concerning financial Statements
 - Any related party transaction i.e., transactions of the Company of material nature with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.