

16th

ANNUAL REPORT

2002 - 2003

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GSAL
GSAL (INDIA) LIMITED

BOARD OF DIRECTORS

SRI. A. KRISHNA MURTHY
SRI. C.V. HANUMANTHA RAO
Dr. J. BAPU REDDY
SRI. N.KRISHNA MOHAN
SRI. M. RADHA KRISHNA

CHAIRMAN
DIRECTOR
DIRECTOR (Nominee of APIDC)
MANAGING DIRECTOR
DIRECTOR (Finance)
(Up to 03-06-2003)

STATUTORY AUDITORS :

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

FACTORY :

SREERAMPURAM
L. Kota Mandal
Vizianagaram District,
ANDHRA PRADESH

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BANKERS :

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

Regd.Off:

6-3-802, Ameerpet,
Hyderabad - 500 016.

Admn.Off: & Secretarial Dept. :
6-3-668/10/66,
Durganagar Colony,
Punjagutta, Hyderabad - 500 082.
Phone : 55612374, 23411251

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 16th Annual General Meeting of the Members of the Company will be held on Friday the 28th November, 2003 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, 2003 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 a Special 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".

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

Place: Hyderabad

Date : 20-10-2003

N. KRISHNA MOHAN
MANAGING DIRECTOR

COAL (INDIA) LIMITED

Notes :

1. 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.
2. The Register of Members and Share Transfer Books will remain closed from 26th day of November, 2003 to 28th November, 2003. (Both days inclusive).
3. 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.
4. 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) 3 of the notice is annexed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 3

The Public Financial Institutions viz. The Industrial Development Bank of India, ICICI Bank Ltd and IFCI Limited holds more than 25% of equity capital in the Company. Pursuant to Section 224A of the Companies Act, 1956 a Special Resolution is required to be approved by the members at the ensuing Annual General Meeting.

DIRECTOR'S REPORT

Dear Shareholders'

Your Directors have pleasure in presenting you the 16th Annual Report together with the Audited Statement of Account for the year ended 30th June, 2003.

OPERATIONS :

During the year under review Sponge Iron Industry started looking up after a long period of recession and prices have firmed up due to demand-supply gap from March/April, 2003. The increase in demand is mainly attributable to non-availability of scrap in International market and also increased steel consumption in the International market especially in China. Sponge Iron prices have peaked during the month of July, 2003 and the rates have stabilized around Rs. 7,000/- thereafter. For the period ending June, 2003 the company achieved a turnover of Rs. 36.79 Crores and gist of financial performance is given below.

The Company's performance has improved during the year and is expected to stabilize in the coming years.

As the members are aware that the company has been registered with BIFR vide Regd.. No. 59/99. BIFR at their meeting held on 26-09-2002 formed an opinion that the company is not viable and therefore recommended for its winding up. These orders have been 'stayed' by AAIFR on an appeal filed by the company, while company continued its efforts and pursued the matters with Financial Institutions for restructuring of the debt. During several meetings held with the Secured Creditors, the company has been able to make out strong case for restructuring and also been able to satisfy them about the capacity of the promoters/ associates to bring in necessary funds for the revival of the company. It is hoped that the Secured creditors lead by IDBI would take a positive view of restructuring the debt of the company as they have been doing for other Corporates in the Steel Sector.

FINANCIAL RESULTS :

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

(Rs. in Lakhs)	
Particular	For the year ended June 30, 2003
1. Sales	3678.56
2. Stocks	(39.14)
3. Expenditure	(3732.12)
4. Gross Profit / (Loss)	(92.70)
5. Interest	(141.42)
6. Profit/Loss before Extra - Ordinary Items	(234.12)

CSAL (INDIA) LIMITED**FUTURE PROSPECTS :**

The demand for Sponge Iron in domestic market has led to establishment of many small and medium scale Sponge Iron plants. These units, which are numbering about 100, are in various stages of implementation and in all probability all these units will commence operations from the first quarter of 2004. The future for Sponge Iron Industry's profitability is more dependant on effective cost of production as the prices of Sponge Iron may stabilize around Rs. 6000/- to Rs. 6500/- per MT. The Company is fully geared up to meet the challenge and already initiated measures for cost reduction at various stages in the Plant operations.

The required working Capital will be met by the arrangements made by the Promoters to run the plant to its full capacity, to achieve the scales of economies. The results of these operations will be reflected in the next Accounting period.

DIRECTORS :

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

During the year Sri. M. Radha Krishna, Director (Fin) has resigned w.e.f. 03-06-2003 due to his preoccupation. The Board places on record its appreciation for the valuable services rendered by him during his tenure as Director (Fin) of the company.

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, 2003 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, 2003 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, 2003 have been prepared on a going concern basis.

GSAL (INDIA) LIMITED

CORPORATE GOVERNANCE

The Company has complied with the provisions of Corporate Governance as clause 49 of the Listing Agreement with the Stock Exchange (s). A separate report on Corporate Governance annexed 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.

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 Act 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 2002-2003. The Company had no employee receiving a monthly remuneration of Rs. 2 Lakhs 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

C.V. Hanumantha Rao

N. Krishna Mohan

Date : 20.10.2003

Director

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 4 members. One of the Director is the Managing Director and one of the director is nominated by APIDC and the remaining two Directors are independent directors.

(i) TENURE:

As per the provisions of the Companies Act, 1956, one third of the Board of Directors (excluding Institutional Nominee Directors and Managing Director) 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 was 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 is up to 30-09-2005.

(ii) DIRECTORS ATTENDANCE & BOARD MEETINGS HELD DURING THE YEAR :

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.
	23/9 2002	11/11 2002	28/12 2002	30/01 2003	30/04 2003	28.12.2002
1. Sri. A. Krishna Murthy	P	LA	LA	LA	LA	LA
2. Sri. C.V. Hanumantha Rao	P	P	P	P	P	P
3. Dr. J. Bapu Reddy (Nominee-APIDC)	P	P	LA	LA	LA	LA
4. Sri. A.V. Sunil (Nominee-IDBI)	P	R	-	-	-	-
5. Sri.M. Radhakrishna	P	P	P	P	LA	P
6. Sri.N. Krishna Mohan	P	P	P	P	P	P

P : Present

R : Resigned

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 2002-03 are as follows:

S.No.	Name of the Director	Sitting Fees	Total
1.	Sri. A.V. Sunil	Rs. 250/-	Rs. 250/-
2.	Sri. C.V. Hanumantha Rao	Rs. 1250/-	Rs. 1250/-
3.	Sri. A. Krishna Murthy	Rs. 250/-	Rs. 250/-
4.	Sri. Dr. J. Bapu Reddy	Rs. 500/-	Rs. 500/-

The remuneration paid to the Managing Director, and the Director (Fin) during the year 2002-03 are as follows :

S.No.	Name	Salary	Prov.Fund	Total
1.	Sri.M. Radha Krishna (Up to 03-06-2003)	221569	7150	228719.
2.	Sri.N. Krishna Mohan	--	--	NIL

SANSKO (INDIA) LIMITED**6. NUMBER OF OTHER DIRECTORSHIPS OF THE DIRECTORS :**

S.No.	Name of the Director	Other Directorships
1.	Sri.A. Krishna Murthy	NIL
2.	Sri.C.V.Hanumantha Rao	Sri Chakra Cements Ltd
3.	Dr. J.Bapu Reddy (Nominee-APIDC)	NIL
4.	Sri. N. Krishna Mohan	Sri Chakra Cements Ltd. Wholetime Director

The meetings 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.