

17th

ANNUAL REPORT

2003 - 2004

(For The Nine Months Period Ended 31-03-2004)

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GSAL
GSAL (INDIA) LIMITED

BOARD OF DIRECTORS

SRI. A. KRISHNA MURTHY	CHAIRMAN
SRI. C.V. HANUMANTHA RAO	DIRECTOR
SRI. K.P. PATNAIK	DIRECTOR (w.e.f : 15/05/2004)
Dr. J. BAPU REDDY	DIRECTOR (Nominee of APIDC)
SRI. N.KRISHNA MOHAN	MANAGING DIRECTOR

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 : venture2003@vsnl.net

GSAL (INDIA) LIMITED

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 17th Annual General Meeting of the Members of M/s. GSAL (India) Limited will be held on Saturday the 21st August, 2004 at 11.00 AM at the Administrative office of the company, i.e., 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 Balance Sheet as at 31-3-2004 and Profit and Loss Account for the 9 Months period ended on that date and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Sri. C.V. Hanumantha Rao 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 U/s. 224 A of the Companies Act, 1956 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. Appointment of Sri. K.P. Patnaik as Director.

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

"RESOLVED that pursuant to Section 257 and other applicable provisions of the Companies Act, 1956. Sri. K.P. Patnaik be and is hereby appointed as Director of the Company liable to retire by rotation.

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

Place: Hyderabad

Date : 15-05-2004

N. KRISHNA MOHAN
MANAGING DIRECTOR

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 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 19th day of August, 2004 to 21st day of August, 2004. (Both days inclusive).
4. 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

Sri. K.P. Patnaik was appointed as Additional Director of the Company in the Board Meeting held on 15th May, 2004. He holds the office upto the ensuing Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956 the Company has received notices in writing from a members along with a requisite deposit of Rs. 500/- proposing the candidature of Sri. K.P. Patnaik.

None of the Directors are interested in this resolution except Sri. K.P. Patnaik.

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

Place: Hyderabad

Date : 15-05-2004

N. KRISHNA MOHAN
MANAGING DIRECTOR

GSAL (INDIA) LIMITED**DIRECTORS' REPORT****Dear Shareholder's**

Your Directors have pleasure in presenting you the 17th Annual Report together with the Audited Statement of Account for the Nine Months period ended 31st, March 2004.

OPERATIONS :

In order to align with Income Tax, the financial year for the company has been ended with 31-03-2004 and the performance under review for the current year is for 9 months. During the year 2003-04, Sponge Iron prices have increased gradually and reached peak during December, 2003 and then onwards, the prices have started looking southwards and currently prices are stable with marginal increases/decreases. The Iron Ore prices also increased substantially during the period. For the year 2003-04 your company performance is quite satisfactory by making a turnover of about Rs. 56.00 Crores (9 months) which has yielded a profit of Rs. 188 lakhs. The detailed financials are furnished below :

2. Your company's application to Financial Institutions for debt restructure has been considered favourably by them and company received sanction for debt restructure from Industrial Development Bank of India and ICICI Bank Limited. With respect to IFCI Ltd., the sanction is expected soon. In terms of debt restructure, 75% of the existing term loans has to be re-paid over a period of 10 years with telescopic rate of interest averaging yield to maturity at 10% per annum. Balance 25% of the existing term loans have been converted into 6% per annum simple interest bearing debentures payable at the end of 11th year i.e., 2014. The entire funded interest term loan has been converted into 0.10% redeemable cumulative optionally convertible preference shares to be converted into equity on the terms to be determined mutually at the end of 10th year. Out of about Rs. 110.00 Crores pending simple interest Rs. 8.50 Crores will be converted into equity shares after capital reduction to be allotted to Financial Institutions and Rs. 41.85 Crores will be issued 0.10% redeemable cumulative optionally convertible preference shares to be converted into equity on the terms to be determined mutually at the end of 10th year to Financial Institutions. Balance simple interest, compound interest, liquidated damages and other charges have been waived by the Financial Institutions. During this restructure process equity shares capital of the company will also be reduced to extent of 85%. Promoters of the company have agreed to infuse Rs. 10.00 Crores as share capital to be allotted after reduction of existing share capital to be used exclusively to repay the term loans to Financial Institutions. Till date, promoters of the company brought in an amount of Rs. 4.25 Crores and the same has been used for repayment of Term Loan.

GSAL (INDIA) LIMITED

With respect to Working Capital provided by the Financial Institutions, the interest has been reduced to 10% w.e.f. 01-4-2003 from 16.5% by the Financial Institutions. The balance principal component of new working capital sanction by the Financial Institutions has to be cleared by the company before 31-03-2007. Your Directors are very glad to state that as on today there are no overdues with the respect to Financial Institutions after debt restructure.

3. The company has already submitted One Time Settlement (OTS) applications with respect to erstwhile Working Capital Bankers i.e., State Bank of India, State Bank of Hyderabad and Bank of Baroda. Company's request is under active consideration with respective banks and sanctions are expected soon.

4. As the members are aware that the company has been registered with BIFR vide Regn. No. 59/99. BIFR in their meeting held on 26-09-2002, formed an opinion that 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. As company could reach acceptable and amicable settlements with all the Financial Institutions and banks, a compromise affidavit will be filed by the company and operating agency i.e., IDBI in AAIFR soon.

FINANCIAL RESULTS :

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

(Rs. in Lakhs)

Particulars	For the 9months period Ended 31-03-2004
1. Sales	5550.80
2. Other Income/Stocks	56.44
3. Expenditure	4887.06
4. Gross Profit	720.18
5. Interest	504.71
6. Miscellaneous Expenditure written off	27.01
7. Profit/Loss before Tax and prior period adjustments	188.46
8. Cash Accruals (after prior period adjustments) before Interest	586.98

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

The demand for Sponge Iron in domestic market continuously stable mainly due to non availability of melting scrap in required quantity. Members are aware that many small Sponge Iron units started operating in India and the business of sponge iron will be localized from area to area. However, your company is making best efforts in retaining its market share by sourcing quality raw material and keeping the required standards of production, which will ultimately benefit the steel melters who will like to prefer to use the sponge iron produced by your company. During the year under review, the prime grade of sponge iron could reach a peak of about Rs. 12,500/- from Rs. 5,500/- per ton. However, the prices have fallen subsequently and currently prices are stable at around Rs. 9,000/- per ton. Company also initiated many cost reduction exercises along with de-bottlenecking of certain areas of production and also started improving production techniques to optimize the rate of production along with cost reductions.

2. With the support given by the Financial Institutions by sanctioning and disbursing working capital funds, company could able to re-establish itself in the market. Present operations are continuously carried out with the available current assets without resorting to any further borrowings for working capital.

DIRECTORS :

Sri. C.V. Hanumantha Rao, Director who retires by rotation and being eligible offers himself for re-appointment.

During the period Sri. K.P. Patnaik was appointed as Director of the company subject to retire by rotation.

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 9 Months period ended 31st March, 2004 the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That such accounting policies as mentioned in Schedule O 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 Nine months period ended on 31st March, 2004 and of the profit 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 Nine months period ended 31st March, 2004 have been prepared on a going concern basis.

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 Nine months period 2003-2004. 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 TO :

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 : 15.05.2004

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 of guidelines for better Corporate Governance.

2. BOARD OF DIRECTORS :

The Board of Directors consists of 5 members. One of the Director is the Managing Director and one of the director is nominated by APIDC and the remaining Three Directors are independent directors.

(I) TENURE:

As per the provisions of the Companies Act, 1956, two 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.
	05/01 2004	13/03 2004	30/04 2004	15/05 2004	28.11.2003
1. Sri. A. Krishna Murthy	LA	LA	LA	LA	LA
2. Sri. C.V. Hanumantha Rao	P	P	P	P	P
3. Dr. J. Bapu Reddy (Nominee-APIDC)	P	P	P	P	LA
6. Sri.N. Krishna Mohan	P	P	P	P	P

P : Present

LA : Leave of absence granted

R : Resigned

The Company has held 4 Board Meetings during the Year on dates mentioned above.

3. 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 2003-04 are as follows:

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

The remuneration paid to the Managing Director during the year 2003-04 is : NIL

4. NUMBER OF OTHER DIRECTORSHIPS OF THE DIRECTORS :

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