

18th

ANNUAL REPORT

2004 - 2005

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GSAL
GSAL (INDIA) LIMITED

GSAL (INDIA) LIMITED

BOARD OF DIRECTORS

SRI. A. KRISHNA MURTHY	CHAIRMAN
SRI. C. V. HANUMANTH RAO	DIRECTOR (Up to 31.01.2005)
SRI. K.P. PATNAIK	DIRECTOR
SRI. M.H. KULKARNI	DIRECTOR (Nominee IDBI)
SRI. P.S. RAVINDRANATH	DIRECTOR (Nominee ICICI Bank)
SRI. J. BAPU REDDY	DIRECTOR (Nominee APIDC) Up to 28.10.05
SRI. Y. SURYANARAYANA	DIRECTOR (Nominee APIDC) w.e.f. 28.10.2005
SRI. K. VIJAYA KUMAR	DIRECTOR w.e.f. 29.04.2005
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

BANKERS :

IDBI BANK

Regd. Off:

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

Admn. Off: & Secretarial Dept. :

6-3-668/10/66,
Durganagar Colony,
Punjabgutta, 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 18th Annual General Meeting of the Members of M/s. GSAL (India) Limited will be held on 30th day of November, 2005 at 11.00 AM at the Administrative office of the company, i.e., 6-3-668/10/66, Durganagar Colony, Punjagutta, Hyderabad - 500 082.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31-3-2005 and Profit and Loss Account for the period ended on that date and the reports of the Auditors and Directors 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 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. Vijay Kumar 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. Vijay Kumar be and is hereby appointed as Director of the Company liable to retire by rotation.

5. Re-appointment of Sri N. Krishna Mohan as Managing Director.

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

"RESOLVED THAT pursuant to the provisions of Section 198, 326, 309 of the Companies Act, 1956 read with Schedule XIII to the Act and other applicable provisions if any, of the Act and subject to such approvals as may be necessary, consent of the company be and is hereby accorded for the re-appointment of Sri N. Krishna Mohan, as Managing Director of the company w.e.f. 01/10/2005 for a period of 5 years without any remuneration subject to approval of the members of the Company at the ensuing Annual General Meeting and the Financial Institutions.

"Resolved FURTHER THAT the Board of Directors of the company be and is hereby authorised to do all such Acts, deeds and things as may be considered necessary or expedient to give effect to the resolution".

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

Place : Hyderabad
Date : 28-10-2005

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 4 & 5 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 the 28-11-2005 to 30-11-2005. (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. Vijay Kumar was appointed as Additional Director of the Company in the Board Meeting held on 29/04/ 05. 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. Vijay Kumar.

None of the Directors are interested in this resolution except Sri. K. Vijay Kumar.

ITEM NO. 5

Re-appointment of Sri. N. Krishna Mohan, as Managing Director, since his tenure was expired on 30/09/05 and his re-appointment of Managing Director has been considered and approved at the Board of Directors Meeting held on 28/10/05 subject to approval of the members of the company at the ensuing Annual General Meeting of the Company.

None of the Directors, except Sri N. Krishna Mohan is interested in this resolution.

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

Place: Hyderabad

Date : 28.10.2005

N. KRISHNA MOHAN
MANAGING DIRECTOR

GSAL (INDIA) LIMITED**DIRECTORS' REPORT****Dear Shareholders**

Your Directors have pleasure in presenting you the 18th Annual Report together with Audited Statement of Account for the period ended 31st, March 2005.

OPERATIONS :

During the financial year ending 31st March, 2005, the Company could achieve the following results.

Sl. No.	Production : 68967 MT Sales : 66965 MT	For the year ended 31-03-2005 (in Lakhs)
1	Sales	7022.99
2	Other Income/Stocks	87.78
3	Gross Profit before interest	312.44
4	Interest	627.73
5	Cash loss	315.28

During the period under review, there has been a constant increase in the iron ore prices while the demand for iron ore has substantially gone up due to large number of new sponge iron plants sprung up in the various parts of the south particularly in Hyderabad, Bellary, Salem, Pondicherry, etc. Correspondingly, the prices of Sponge Iron could not be maintained due to substantial material flowing into the market from the above newly commissioned projects resulting in depletion of margins. However, your company has been able to earn the gross profit of Rs.312.44 lakhs before interest and suffered a cash loss of Rs. 315.28 lakhs. The management is taking steps to tie up continuously supply of Iron ore to ward off unusual increases in the raw material prices.

DEBT RESTRUCTURING:

The winding up orders passed by BIFR on 26-09-2002 have been stayed by AAIFR. Meanwhile, all the participating Financial Institutions, i.e., IDBI, IFCI and ICICI have conveyed their sanction for debt restructure. The company could reach One Time Settlement (OTS) with erstwhile working capital bankers, i.e., SBI, SBH and BOB. The Operating Agency, i.e., IDBI has filed a Draft Rehabilitation Scheme (DRS) with AAIFR for the consideration and the same has been heard on 17-06-2005 and 10-08-2005. The Hon'ble Members of AAIFR on 10-08-2005 have referred the Draft Rehabilitation Scheme (DRS) submitted by IDBI to BIFR for their consideration and firming up of the scheme. Soon after the receipt of approval from BIFR, company will initiate the secertarial compliances with respect to i) 85% reduction of existing equity share capital, ii) issue of preference shares to Financial Institutions and iii) issue of equity shares to Financial Institutions and promoters.

In terms of Draft Rehabilitation Scheme (DRS) package sanctioned by Financial Institutions, the core promoters have infused the amount of Rs.925.00 lakhs as on 31-03-2005. In addition to this, promoters are infusing funds as and when required to clear the dues under OTS to erstwhile working capital bankers, i.e., SBI, SBH and BOB. In terms of OTS sanction, the existing liability of erstwhile bankers will get estinguished only upon complete payment of OTS amounts. Hence, the accounts pertaining to SBI, SBH and BOB will still remain in the books and soon after completion of payment of last instalment under OTS, the respective balance outstanding pertaining to each bank will get extinguished.

As referred earlier, the company is facing severe constraints on working capital mainly due to 1) reduction in margins, and 2) continuance of escrow deductions stipulated by the Financial Institutions. The company is making efforts to impress upon Secured Creditors i.e., IDBI, IFCI and ICICI to re-look into the sanctioned DRS package taking current day realities into account and support the company by way of reduction in the interest rate making available working capital to optimise operations and reschedule the repayments over a longer period. The company is confident of securing their support on this account.

FUTURE PROSPECTS :

The demand for Sponge Iron in domestic market is growing and the same is visible in respect of many sponge iron units that have come for production and are able to continuously operate. No doubt, the margins earlier enjoyed by the sponge iron units could not be retained for a longer period. The company is making efforts to improve revenues by way of sale of waste heat gases and encouraging Sri Bhava Steel and Power Limited to set up a Power Plant in GSAL premises subject to the approval of the Secured Creditors. Sri Bhava Steel and Power Limited also implementing the Steel Melting Shop (SMS) using Sponge Iron for their melting needs, which would help in better realisations for company's product. Company's request for permitting Sri Bhava Steel and Power Limited to establish their power plant when approved by Financial Institutions and help generate additional cash flows to your company, thus improving its long-term viability

The company is also exploring the possibility of procuring Iron Ore mine in Orissa/Bellary Sectors, either by way of raising contract or sub-lease etc., with a view to ensure consistent, economical and uninterrupted supply of this vital input to our operations.

DIRECTORS :

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

During the period Sri. C.V. Hanumantha Rao, Director was resigned as Director due to his old age and the Board wishes to place its appreciation on record for services rendered by him. APIDC nominated Sri y. Suryanarayana as Director consequent to the resignation submitted by Dr. J. Bapu Reddy due to his personal reasons. Board wish to place its appreciation on record his services. During the period Sri. K. Vijaya Kumar was appointed as Director of the company subject to retirement 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 period ended 31st March, 2005 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 period ended on 31st March, 2005 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 records 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 31st March, 2005 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. K. P. Patnaik
- 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. 6 lakhs and above during the year 2004-2005. The Company had no employee receiving a monthly remuneration of Rs.6 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

K.P. PATNAIK

N. Krishna Mohan

Date : 28.10.2005

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 7 members. One of the Director is the Managing Director and one of the director is nominated by APIDC, one of the directors is nominated by IDBI, one of the directors is nominated by ICICI Bank and the remaining 3 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 is 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 30-09-2010

(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.
	30/07 2004	26/10 2004	31/01 2005	29/04 2005	28/07 2005	21/08. 2004
1. Sri. A. Krishna Murthy	P	P	LA	LA	LA	LA
2. Sri. C.V. Hanumantha Rao	P	P	R	-	-	P
3. Dr. J. Bapu Reddy (Nominee-APIDC)	P	P	LA	LA	LA	LA
4. Sri.K.P.Patnaik	P	P	P	P	P	P
5. Sri P.S. Ravendranath (Nominee-ICICI Bank)	P	LA	P	LA	LA	LA
6. Sri V.N.P. Nair (Nominee-IDBI Bank)	-	P	LA	R	-	-
7. Sri M.H. Kulkarni (Nominee-IDBI Bank)	-	-	-	-	P	-
8. Sri N. Krishna Mohan	P	P	P	P	P	P

P : Present

LA : Leave of absence granted

R : Resigned

The Company has held 5 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 till Dec., 2004 at the rate of Rs. 250/- and 2,500/- from 31st January, 2005 for each meeting. The details of sitting fees paid to the Non - executive Directors for attending the Board Meetings and Committee Meetings during the Financial year 2004-05 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.	Sri. Dr. J. Bapu Reddy (Nominee - APIDC)	750/-	750/-
4.	Sri. K.P. Patnaik	3000/-	3000/-
5.	Sri. P.S. Ravendranath (Nominee-ICICI Bank)	3000/-	3000/-
6.	Sri. V.N.P. Nair (Nominee - IDBI Bank)	250/-	250/-

The remuneration paid to the Managing Director during the year 2004-05 is : NIL

4. NUMBER OF OTHER DIRECTORSHIPS OF THE DIRECTORS :

S.No.	Name of Director	Other Directorships
1.	Sri. A. Krishna Murthy	NIL
2.	Dr. J. Bapu Reddy (Nominee-APIDC)	NIL
3.	Sri. N. Krishna Mohan	Sri Chakra Cements Ltd Wholesale Director
4.	Sri. K. Vijay Kumar	Aditya Spinners Ltd
5.	Sri. P.S. Ravendranath (Nominee-ICICI Bank)	NIL
6.	Sri. M.H. Kulkarni (Nominee-IDBI Bank)	1) Suryalakshmi Cotton Mills Ltd. 2) APITCO Ltd.