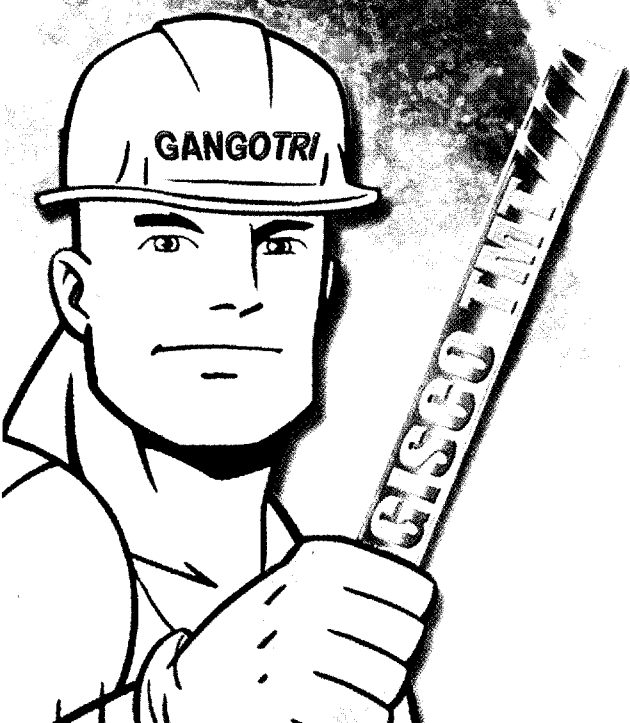


Gangotri Iron & Steel Co. Ltd.

12TH ANNUAL REPORT FOR THE YEAR 2004-2005
MADE TO LAST FOR GENERATIONS



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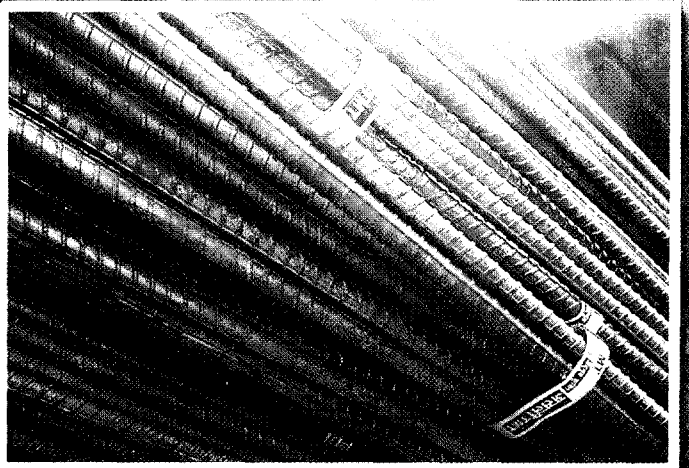


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BOARD OF DIRECTORS UP TO 31.03.2005

Mr. Ramautar Jhunjhunwala	Chairman
Mr. Sanjiv Kumar Choudhary	Whole Time Director
Mr. Aditya Dalmiya	Director
Mr. Ashok Agarwal	Director

• • •

COMPANY SECRETARY

Ms. Priti Somani

• • •

AUDITORS

M/s. ABS ASSOCIATES
40 Weston Street, 3rd Floor
Kolkata 700 013

• • •

BANKERS

State Bank Of India
The Federal Bank Ltd.
IDBI Bank Ltd.

• • •

FACTORY

Nayatola, Phulwari Shariff, Patna

• • •

REGD. OFFICE

307, Ashiana Towers, Exhibition Road, Patna 800001

• • •

CORPORATE OFFICE

16B, Shakespeare Sarani, 3rd, Floor, Kolkata 700 071

• • •

REGISTRAR & SHARE TRANSFER AGENT

S.K.Computers
34/1A Sudhir Chatterjee Street, Kolkata 700 006



DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the 12th Annual Report of the Company, together with the Audited Accounts, for the year ended 31st March, 2005.

1. Financial Results

(Rs. in Lacs)

	2004-2005	2003-04
Sales & Other Income	2260.77	1686.66
Profit before Interest & Depreciation	128.84	27.41
Interest & Other Financial Charges	22.75	18.47
Depreciation	21.34	22.90
Profit after Interest & Depreciation	84.75	(14.02)
Provision for Taxation	9.72	0.02
Deferred Tax	33.02	20.04
Net Profit/(Loss) after Tax	42.01	(34.08)
Balance as per last year	36.31	70.40
Balance Carried Forward	78.32	36.32

2. Operations

During the year under review production of M.S.Bar was 12392 MT against 9704 MT in the previous year representing an increase of 27.7% whereas the increase in total income has been 34.04%. The Company has taken various steps, which has resulted in improved operations and profitability. The Company has also altered the product mix in favour of more value added TMT Bar which has resulted in a better product realization.

The Company has also been granted ISO 9001:2000 and ISO 14001:1996 certification for its quality management system, practices and environmental concerns.

3. Future Prospectus

The Company has started reaping the benefits of the TMT Bar production to great extent, which is clearly reflected in the bottom line of the Company's result. The future ahead promises to be much improved with tremendous market reach of brand 'GISCO TMT' in the state of Bihar.

Your Company is soon converting its quenching facilities with THERMEX technology. It has undertaken substantial modernization and before the end of the calendar year, expects to produce a wider range of products with 'THERMEX' mark along with its already very popular 'GISCO TMT' brand.

4. Management Discussion and Analysis**Business Segment-wise Performance**

The Company's business consists production of Twisted and TMT Bar and it falls under single segment. Hence Segment wise operational performance is not applicable.

Gangotri Iron & Steel Co. Ltd.

Outlook

The Indian economy grew by 6.9% during the fiscal year ended 31st March 2005 compared to 8.5% in the previous year. The Industrial Sector grew by 8.9% against 6.9%. Average inflation in the year ended was 6.4% as compare to 5.4% in the previous year.

The Steel industry, although slowly changing to consolidation phase, was subject to ups and downs of demand and prices. Due to surge in demand from China, the world steel scenario underwent transformation, although the demand in the developed countries of the West and Japan has seen little change in their consumption.

The Company has embarked upon expansion plan of its existing production facility. Steps have also been taken to enhance the installed production capacity from 21000 MT to 33000 MT by adding & balancing equipments. This will result in approximately 30% increase in production after the commencement of commercial operation of the expansion plan.

Risks and Concerns

There was a substantial increase in the prices of key raw materials like iron-ore and coal and consequently in sponge iron and melting scrap thereby resulting in higher price for steel ingots which is the principal raw material of your Company.

The demand in the domestic market was strong throughout the year and has grown steadily at the rate of 5% to 6%. The growth rate is likely to accelerate due to the increased expenditure in infrastructure leading to a higher demand for steel. Recently, due to a slow- down in demand from the international market, the prices of certain raw material has rationalized but the price of fuel and coal continue to remain a source of worry.

Your Company's products are currently marketed mainly in the state of Bihar. The development in Bihar is not able to keep pace with the development of other states of India but we hope that the State Government, with the assistance of the Central Government, will certainly come out with mega projects and various housing schemes. Your Company is quite optimistic and strongly believes that sale of its products shall not be a problem in view of the superior quality and brand image that its products enjoys.

Internal Control Systems and their Adequacy

There exists a proper and adequate internal control system in the company for all its activities including safeguarding and protecting its assets against any loss from its unauthorized use or disposition. All transactions are properly documented, authorized, recorded and reported correctly. The above control is further supplemented by exhaustive scope of internal audit that is carried out by internal auditors in consultation with statutory auditors. The policies, procedures and internal controls are further reviewed by the Audit Committee of Board of Directors on periodical basis.

Personnel

The industrial relations scenario continued to be stable during the period under review. The Company has been taking various initiatives for HR development, a process that will continue in the coming years. Your Company organizes Architects and Masons meet on a regular basis in various areas where it markets its products. These meets are very well attended and have resulted in better demand for its products apart from popularizing its brand image.

5. Dividend

In order to conserve resources of the Company, no dividend has been declared for the financial year under review.

6. Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ramautar Jhunjhunwala is retiring by rotation and being eligible offers himself for re-appointment.

7. Directors' Responsibility Statement

In compliance with section 217(2AA) of the Companies Act 1956, the Directors confirm that

- i) in preparation of the Annual Accounts, for the year ended 31st March 2005, all the applicable accounting standards prescribed by the ICAI have been followed .
- ii) the Directors have adopted such accounting policies and have applied them consistently and have made judgments and estimates in a reasonable and prudent manner so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the year.
- iii) the Directors have taken proper and sufficient care 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 for preventing and detecting fraud and other irregularities.
- iv) the Directors have prepared the annual accounts on a going concern basis.

8. Auditors

M/s. ABS Associates, Chartered Accountants, Auditors of the Company expressed their inability to continue as the auditor of the company. M/s Khandelwal Ravindra & Co., Chartered Accountants have given their consent to be appointed as auditors of the Company and have furnished certificate of their eligibility u/s 224(1B) of the Companies Act, 1956 for appointment. The members are requested to consider their appointment for the current financial year 2005-06 and authorise the Board of Directors to fix their remuneration.

9. Depository System

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited. (NSDL) & Central Depository Services (India) Ltd. (CDSL). SEBI has directed that 'No Custody Charge' shall be levied on any investor who would be opening a demat account on or after 1st February 2005. This is an added benefit over and above the existing advantages offered by the Depository System. Members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

10. Voluntary Delisting of the Company's Equity Shares from the Calcutta Stock Exchange and Magadh Stock Exchange

Consequent upon the approval of the shareholders at the Annual General Meeting held on Sept 29, 2003 & in pursuance of the delisting guidelines issued by SEBI, the Company has applied for delisting of shares. The delisting will not adversely affect the shareholders of the Company as the equity shares continue to be listed on the Stock Exchange, Mumbai. The Company hereby unconditionally & irrevocably undertakes to keep indemnified and harmless The Calcutta Stock Exchange Association Ltd. & The Magadh Stock Exchange Association., its officials against any action, claim, causes, proceedings, demands, whatsoever which may arise on account of voluntary delisting.

11. Public Deposit

The company has not invited /accepted any deposits from the public and as such there are no outstanding deposits, in terms of the Companies (Acceptance of Deposits) Rules, 1975.

12. Personnel

There is no employee in respect of whom particulars pursuant to Section 217(2A) of the Companies Act, 1956 are required to be given.

Gangotri Iron & Steel Co. Ltd.

13. Conservation of Energy

The information relating to conservation of energy as required U/s 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this Report. The Company has no figure to disclose in respect of technology absorption and /or foreign exchange earning & outgo.

14. Industrial Relations

The relations between the employees, workers and the management were cordial and an atmosphere of understanding prevailed throughout the year.

15. Social Welfare Activities

The Company organises mason's meet from time to time at various centers and provides Personal Accident Cover to the masons attending the meeting under arrangement with Oriental Insurance Company.

16. Share Forfeiture

Your Company issued final notice to all the holders of partly paid shares vide registered letter and after the expiry of the notice period the remaining partly paid shares were forfeited. Thereupon the Board of Directors resolved to dispose off the entire forfeited shares and the same was informed to the Stock Exchanges. The sale / disposal of forfeited shares @ 20/- per share (inclusive of amount already paid up) is in the process.

17. Corporate Governance

Separate notes on Corporate Governance is annexed and marked "Annexure - A". The Auditors' Certificate on compliance with the conditions of Corporate Governance is annexed and marked "Annexure - B".

18. Acknowledgment

Your Directors wish to place their sincere appreciation to the co-operation extended by the Bank, State Government, Electricity Board, Customers, Suppliers and Shareholders and solicit their continued support. The Directors also wish to place on record the dedicated service rendered by the Management, Staffs and Workers.

Kolkata, 29th July, 2005

For and on behalf of the Board
Ramautar Jhunjhunwala
Chairman

ADDENDUM TO DIRECTORS' REPORT

1. Directors

Mr. Debabrata Banerjee and Mr. Narendra Kumar Jaiswal were appointed as Non Executives & Independent Additional Directors of the Company w.e.f. 20.08.05.

Kolkata, 29th July, 2005

For and on behalf of the Board
Ramautar Jhunjhunwala
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A) Power & Fuel Consumption

Product	2004-05		2003-04	
	TMT Bar	Twisted Bar	TMT Bar	Twisted Bar
1. Electricity				
a) Purchased Unit (KWH)	187237	967213	118595	980625
b) Total Amount (Rs.)	12,91,849	66,73,325	6,76,816	55,96,381
c) Rate/Unit (Rs.)	6.90	6.90	5.71	5.71
2. Coal				
a) Qty (Kg.)	191407	791970	100376	664805
b) Total Amount (Rs.)	4,39,274	18,17,544	2,00,215	13,26,054
c) Average Rate (Rs.)	2.29	2.29	1.99	1.99

B) Consumption per unit of Production

Product	TMT Bar	Twisted Bar	TMT Bar	Twisted Bar
a) Units (M.T.)	2412.046	9980.116	1272.960	8430.996
b) Electricity (KWH)	77.626	96.914	93.164	116.312
c) Coal (Kg.)	79.35	79.35	78.85	78.85