

GANGOTRI IRON & STEEL CO. LTD.

**13th ANNUAL REPORT
2005-2006**



दुनिया GISCO लोहा माने



◀ Inauguration of Thermex Plant by Hon'ble Deputy Chief Minister of Bihar, Shri Sushil Kumar Modi & Industry Minister, Shri Gautam Singh.

Hon'ble Deputy Chief Minister, Shri Sushil Kumar Modi and other respected guests during launching ceremony of GISCO Thermex TMT bars. ▶



◀ Launch of GISCO Thermex TMT Bar for sale in the market by the Hon'ble Deputy Chief Minister, Shri Sushil Kumar Modi and Hon'ble Road Construction & Tourism Minister, Shri Nand Kishore Yadav.

▶ Presentation of Thermex Memento by Hon'ble Deputy Chief Minister, Shri Sushil Kumar Modi to the Chairman of the company.





BOARD OF DIRECTORS

Mr. Ramautar Jhunjhunwala	Chairman
Mr. Sanjiv Kumar Choudhary	Whole Time Director
Mr. Aditya Dalmiya	Director
Mr. Ashok Agarwal	Director
Mr. Debabrata Banerjee	Director
Mr. Narendra Kumar Jaiswal	Director
Mr. Debabrata Mukherjee	Director



COMPANY SECRETARY

Ms. Priti Somani



AUDITORS

Khandelwal Ravindra & Co.
9/12 Lal Bazaar Street, Block 'E'
2nd Floor, Kolkata 700001



BANKERS

State Bank Of India, Commercial Br., Patliputra, Patna
The Federal Bank Ltd., Kolkata
IDBI Bank Ltd., Patna
Standard Chartered Bank, Patna



FACTORY

Phulwari Shariff, Nayatola, 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



NOTICE TO MEMBERS

NOTICE is hereby given that the **13th Annual General Meeting** of the Members of **GANGOTRI IRON & STEEL COMPANY LIMITED** will be held on Friday, the **8th September, 2006 at 2.00 P.M., at Bihar Industries Association, Industry House, Sinha Library Road, Patna 800 001, Bihar** to transact the following business: -

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint Directors in place of Mr. Sanjiv Kumar Choudhary and Mr. Ashok Agarwal, who retires by rotation and, being eligible, offer themselves for re-appointment.
4. To appoint Auditors and fix their remuneration.

Special Business

1. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution: "RESOLVED THAT Mr. Debabrata Mukherjee who was appointed as an Additional Director of the Company, by the Board of Directors, w.e.f. 24th March, 2006 and who holds office upto the date of the ensuing Annual General Meeting of the Company u/s 260 of the Companies Act, 1956, in respect of whom the Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director liable to retire by rotation."

By order of the Board
For **GANGOTRI IRON & STEEL COMPANY LTD.**

PRITI SOMANI
Company Secretary

Kolkata, 30th June, 2006

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxies, to be effective should be deposited at the registered office of the company not later than 48 hours before the commencement of the meeting.
2. The Register of members and Share Transfer Register of the company will remain closed from 4th September, 2006 to 8th September, 2006 (both days inclusive).
3. Members are requested to notify the company immediately of any change in their address.
4. Members seeking any information with regard to Accounts are requested to write to the company at an early date so as to enable the management to keep the information ready.
5. The instrument of the share transfers, complete in all respects should reach the company prior to closure of the Register of Members as stated above.
6. Members /proxies are requested to bring with them the printed Annual Report being sent to them, along with the Notice, to avoid inconvenience.
7. The Company has listed its shares at:
 - I) The Magadh Stock Exchange Association, Ashiana Plaza, Patna 800 001
 - II) Bombay Stock Exchange Ltd., 12th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001
 - III) The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta 700 001

The Company has paid up to date Annual Listing Fees to each of the above-mentioned Stock Exchanges.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 1**

Mr. Debabrata Mukherjee was appointed as an Additional Director of the Company, by the Board of Directors, w.e.f. 24th March, 2006 and holds office upto the date of the ensuing Annual General Meeting of the Company u/s 260 of the Companies Act, 1956. The Company has received notices in writing from a member u/s 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. Debabrata Mukherjee, aged 73 years, Bachelor in Engineering (Metallurgy), F.I.I.E., MIIM is an ex- executive director of Alloy Steel Plant Durgapur and an ex managing director of Durgapur Steel Plant. He has also worked as chairman of National Iron and Steel Company, Belur and as an advisor to Metallurgical Engineering Consultants. He has got vast experience in the iron and steel industry.

Mr. Debabrata Mukherjee was appointed as Independent & Non-Executive Director and the Board feels that the Company will be benefited by his experience.

None of the Directors except Mr. Debabrata Mukherjee is interested or concerned in the resolution.

The Explanatory Statement together with the accompanying notice is and may be treated as an abstract of the terms of appointment and memorandum of interest under section 302 of the Companies Act, 1956.

The Board of Directors commend the resolution for your approval.

By order of the Board
For **GANGOTRI IRON & STEEL COMPANY LTD.**

PRITI SOMANI
Company Secretary

Kolkata, 30th June, 2006

Information as required under clause 49 IV (G)(i) of the Listing Agreement in respect of Directors retiring by rotation and being proposed to be reappointed.

Mr. Sanjiv Kumar Choudhary, aged 43 years is a commerce graduate from Calcutta University with an experience of 23 years in diverse business activities. He has been a director of the Company since February 1993. He is associated with iron and steel industry for the last 13 years. Mr. Sanjiv Kumar Choudhary is also a director of Gangotri Electrocastings Ltd., Mom's Food Pack Ltd. and other private limited companies.

Mr. Ashok Agarwal, aged 44 years is a commerce graduate with an experience in the field of sales. He has been a director of the Company since October 2002.

DIRECTORS' REPORT

To

The Members

The Directors have pleasure in presenting the 13th Annual Report of the Company, together with the Audited Accounts, for the year ended 31st March, 2006.

1. Financial Results

(Rs. in Lacs)

	2005-2006	2004-2005
Sales & Other Income	2798.46	2260.77
Profit before Interest & Depreciation	204.29	130.51
Less: Interest & Other Financial Charges	37.40	24.42
Less: Depreciation	55.86	21.34
Profit after Interest & Depreciation	111.03	84.75
Less: Provision for Taxation	25.23	9.72
Less: Fringe Benefit Tax	1.62	0.00
Less: Deferred Tax	6.29	33.02
Add: Excess provision of Income Tax	0.02	0.00
Net Profit/(Loss) after Tax	77.91	42.01
Balance as per last year	78.32	36.31
Less: Appropriations		
Interim Dividend (Proposed to be final)	24.88	0.00
Tax on Dividend	3.49	0.00
Balance Carried Forward	127.86	78.32

2. Operations

During the year under review the production of M.S Bar was 12769 MT as against 12392 MT in the previous year representing a modest increase of 3% despite suspension of production for about a month at a stretch due to modernization and installation of new machineries. Although the expansion and modernisation was completed but necessary enhanced load of electricity was made available by PESU on 3rd April, 2006 and as such the commercial production could be commenced from middle of April, 2006. However, the Company has witnessed an increase in total income by 85%. The Company has taken various steps, which have resulted in improved operations and profitability. The Company has also altered the product mix in favour of value added THERMEX TMT bars which has resulted in better price realization.

The company has also been awarded ISO 9001:2000 and ISO 14001:1996 certification for its quality management system, practices and environmental concerns. The Products of the Company continues to carry ISI mark.

3. Future Prospects

The company has started reaping the benefits of incorporating THERMEX quenching technology to a great extent, which is clearly reflected in the bottom line of the company's results. The future ahead promises to be bright on account of improved and tremendous brand image and media coverage in the State of Bihar. It has broadened the market reach of its GISCO THERMEX TMT products. Gradually the Company is able to sale it's product to various government department and projects resulting in better price realisation.

The Company has applied for approval of Directorate General of Supplies & Disposals (DGS & D) and is expecting to get it shortly. The Company has already acquired substantial land to implement its Greenfield Project at Bihta (Bihar) and the preparatory civil works are in progress. The Company is hopeful to commence the production within this financial year barring unforeseen circumstances.

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

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

Outlook

The industrial sector registered a strong growth during the year, primarily due to the growth of the manufacturing sector of 9%, compared to 8.69% in the previous year. During the year under review, domestic steel production and apparent steel consumption increased by 5.1% and 7.1% respectively, over the previous year. The Indian economy is projected to grow by 8.1% during the fiscal year ended 31st March 2006, compared to 7.5% in the previous year. The Industrial Sector remained buoyant, with output expected to grow 9%, driven by robust performances from manufacturing and construction sectors, as compared to 8.6% in the previous year.

The Company has completed major modernisation cum expansion plan and has enhanced the installed production capacity from 21000 MT to 33000 MT by adding new and balancing equipments. This modernisation cum expansion plan will result in approximately 60% increase in production in future period.

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. The growth rate is likely to accelerate due to the increased expenditure in infrastructure leading to a higher demand for steel. Because of the international demand the price of iron ore is volatile and as a result of which the price and supply of iron ore is not steady and stable and it continues 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.

The new government is anxious for rapid industrialization and has finalised the new industrial policy, which will be beneficial to the Company in the existing unit and as well as for the new Greenfield Project being set up at Bihta (Bihar) with an installed capacity of 100000 tonnes per annum.

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. 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 meets 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

Dividend aggregating to Rs. 24.88 Lakh @ 7.5% per equity shares of Rs. 10 each has been paid by the Company as interim dividend for the year 2005-06. Your Directors recommend that the interim dividend be fully adjusted as final dividend for the year ended on 31st March, 2006.

6. Finance

a) During the year under review, the Company has allotted 40 lakh warrants convertible into 1 equity share of Rs. 10 each at a premium of Rs. 13.50 on 24.01.2006 through preferential allotment. An amount aggregating Rs. 94 lakh (i.e 10% of the warrant amount) has been received by the Company.

b) During the year, Company raised Cash Credits, Term Loan and such other facilities aggregating Rs. 4 Crore 95 Lakhs from State Bank of India, Commercial Branch, Patliputra, Patna.

7. Increase in Authorised Capital

In order to facilitate the issue of share capital in future, the authorised capital of the Company was increased from Rs. 6 Crores to Rs. 9 crores by creation of 30 lakh equity shares of Rs. 10 each.

8. Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sanjiv Kumar Choudhary and Mr. Ashok Agarwal is retiring by rotation and being eligible offers themselves for re-appointment. During the year under review Mr. Debabrata Banerjee was appointed as an Additional Director of the Company and he holds office upto the ensuing Annual General Meeting. The Company has received notice u/s 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director of the Company. You are requested to consider his appointment.

9. Directors' Responsibility Statement

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

1. in preparation of the Annual Accounts, for the year ended 31st March 2006, all the applicable accounting standards prescribed by the ICAI have been followed.
2. 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.
3. 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.
4. the Directors have prepared the annual accounts on a going concern basis.

10. Auditors

M/s. Khandelwal Ravindra & Co., Chartered Accountants, Auditors of the Company are retiring at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a certificate to the effect that their re-appointment if made will be within the prescribed limit u/s.224 (1-B) of the Companies Act, 1956.

11. Depository System

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has connectivity with both the depositories, i.e. National Securities Depository Limited. (NSDL) & Central Depository Services (India) Ltd. (CDSL). Members are requested to avail the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid, if not already done.

12. Voluntary Delisting of the Company's Equity Shares from the Stock Exchanges at Calcutta & Magadh

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

13. 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.

14. 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.

15. 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-A to this Report. The Company has no figure to disclose in respect of technology absorption and /or foreign exchange earning and outgo.

16. Industrial Relations

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

17. 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.

18. Corporate Governance

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

19. Acknowledgement

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.

For and on behalf of the Board

RAMAUTAR JHUNJHUNWALA
Chairman

Kolkata, 30th June, 2006



"Annexure-A" 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		
	2005-06 M.S.Bar	2004-05 M.S.Bar
1. Electricity		
a) Purchased Unit (KWH)	1270577	1154450
b) Total Amount (Rs.)	87,55,159	79,65,174
c) Rate/Unit (Rs.)	6.89	6.90
2. Coal		
a) Qty (Kg.)	1023782	983377
b) Total Amount (Rs.)	24,80,172	22,56,818
c) Average Rate (Rs.)	2.42	2.29
B) Consumption per unit of Production Product		
	M.S.Bar	M.S.Bar
a) Units (M.T.)	12769.03	12392.162
b) Electricity (KWH)	99.50	93.16
c) Coal (Kg.)	80.18	79.35



“Annexure B” to Directors’ Report**Report on Corporate Governance****1. COMPANY’S PHILOSOPHY**

The Company’s philosophy of corporate governance is to enhance long-term shareholders value, achieve operational efficiencies and business results in all areas of company’s operations, with compliance of all statutory and regulatory provisions. The company believes in transparency, openness and disclosure of information consistent with the business environment in which the company operates.

2. BOARD OF DIRECTORS

The strength of Board of Directors is seven comprising Mr. Ramautar Jhunjhunwala, Chairman, Mr. Sanjiv Kumar Choudhary, Whole Time Director, Mr. Aditya Dalmiya, Mr. Ashok Agarwal, Mr. Debabrata Banerjee, Mr. Narendra Kumar Jaiswal & Mr. Debabrata Mukherjee. Total no. of. Board meetings held during the year were 17 and the dates are as follows: 05.05.05, 04.06.05, 16.06.05, 30.06.05, 18.07.05, 29.07.05, 20.08.05, 29.08.05, 09.09.05, 28.09.05, 25.10.05, 21.11.05, 07.12.05, 14.12.05, 24.01.06, 31.01.06 & 24.03.06. The details of attendance, Directorship and Membership are given as per table shown below:

Name	Category	Attendances		Number of other directorship & Committee member / chairman		
		Board Meeting	Last AGM	Other directorship	Committee membership	Committee Chairmanship
Mr. Ramautar Jhunjhunwala	Non Executive & Promoter	17	Yes	5	—	—
Mr. Sanjiv Kumar Choudhary	Executive	10	Yes	5	—	—
Mr. Aditya Dalmiya	Non Executive & Promoter	17	Yes	3	—	—
Mr. Ashok Agarwal	Non Executive & Independent	13	Yes	—	—	—
Mr. Debabrata Banerjee	Non Executive & Independent	6*	Yes	—	—	—
Mr. Narendra Kumar Jaiswal	Non Executive & Independent	6*	Yes	—	—	—
Mr. Debabrata Mukherjee	Non Executive & Independent	—**	No	—	—	—

* appointed as additional director w.e.f 20.08.2005

** appointed as additional director w.e.f 24.03.2006

3. AUDIT COMMITTEE

The Audit Committee was reconstituted during the year and Mr. Debabrata Banerjee & Mr. Narendra Kumar Jaiswal were appointed as chairman and member of the committee and presently it consists of Directors (Mr. Ramautar Jhunjhunwala, Mr. Debabrata Banerjee, Mr. Ashok Agarwal & Mr. Narendra Kumar Jaiswal) and the Company Secretary as the secretary of the audit committee. The Statutory Auditors, Internal Auditors and Heads of Finance, Marketing, Production and Commercial functions were invitees to the meetings. During the financial year ended 31.03.2006 four meetings were held on 28.06.05, 27.07.05, 24.10.05 and 30.01.06.

The Composition of the Audit Committee and attendance at its meeting is given hereunder:

Name	Position	Category	Attendance (2005-06)
Mr. Debabrata Banerjee	Chairman	Independent & Non Executive	2
Mr. Ramautar Jhunjhunwala	Member	Non Executive	4
Mr. Ashok Agarwal	Member	Independent & Non Executive	4
Mr. Narendra Kumar Jaiswal	Member	Independent & Non Executive	2

4. REMUNERATION COMMITTEE

There is no remuneration committee as there is only one Whole Time Director, whose terms are approved by members of the Company. He is being paid a remuneration of Rs. 50,000/- p.m. Sitting fees is being paid @ Rs. 1000/- per meeting to all the directors other than the Whole Time Director.

Details of No. of shares and convertible instruments held by non-executive directors of the Company is given below:

Name of Director	No. of Equity Shares	No. of Convertible Warrants
Mr. Ramautar Jhunjhunwala	21100	100000
Mr. Aditya Dalmiya	1000	NIL