



Report

ANNUAL REPORT
1998-99

JINDAL VIJAYANAGAR STEEL LIMITED

BOARD OF DIRECTORS

Mr. P.R. JINDAL
CHAIRMAN

Dr. S.K. GUPTA
EXECUTIVE VICE-CHAIRMAN

Mr. SAJJAN JINDAL
MANAGING DIRECTOR

Mr. J.K. TANDON
Jr. MANAGING DIRECTOR & CEO

Mr. RATAN JINDAL
DIRECTOR

Mr. S.P. NAGARKATTE
Nominee Director of ICICI

Mr. T.M. NAGARAJAN
Nominee Director of IDBI

Mr. N. VISWANATHAN, I.A.S.
Nominee Director of KSIIDC

Mr. B.K. DAS, I.A.S.
Nominee Director of KSIIDC

Mr. G.N. BAJPAI
Nominee Director of LIC of India

Mr. MOOSA RAZA, IAS (Retd.)
DIRECTOR

Mr. U. MAHESH RAO
DIRECTOR

Mr. SESHAGIRI RAO M.V.S.
DIRECTOR (Finance)

Mr. P.S.M. CHARI
COMPANY SECRETARY

STATUTORY AUDITORS
M/s. LODHA & COMPANY
MUMBAI - 400 023

CONCURRENT AUDITORS
M/s. PRICE WATER HOUSE
BANGALORE - 560 025

BANKERS

ALLAHABAD BANK

BARCLAYS BANK

COMMERZ BANK

ICICI BANKING CORPORATION LIMITED

PUNJAB NATIONAL BANK

STATE BANK OF INDIA

STATE BANK OF INDORE

STATE BANK OF MYSORE

THE TIMES BANK LIMITED

VIJAYA BANK

REGISTERED OFFICE & WORKS

P.O. Toranagallu
Dist. Bellary
Karnataka - 583 123.

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Karvy Consultants Limited
51/2, TKN Complex, Vanivilas Road
Opp. National College, Basavanagudi
Bangalore - 560 004.

NOTICE

NOTICE is hereby given that the FIFTH ANNUAL GENERAL MEETING of the shareholders of JINDAL VUAYANAGAR STEEL LIMITED will be held on Tuesday, the 28th day of September, 1999 at 3.00 P.M. at the Registered Office of the Company at P.O. Toranagallu, Sandur Taluk, Bellary District - 583 123, Karnataka, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account and Statement of Pre-operative Expenditure for the year ended 31st March, 1999 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P.R. Jindal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. N. Viswanathan, IAS, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Lodha & Co., Chartered Accountants, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :
"RESOLVED THAT pursuant to the provisions of Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, consent of the members be and is hereby given for the elevation and appointment of Dr. S.K. Gupta, as Executive Vice-Chairman (Wholetime Director) of the Company for a period of three years with effect from 20th December, 1998 on the same terms & conditions as exist for his appointment as Vice-Chairman of the Company".
6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :
"RESOLVED THAT Mr. U. Mahesh Rao who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company and that the period of office of the Director shall be liable to determination by retirement by rotation".
7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :
"RESOLVED THAT Mr. Seshagiri Rao M.V.S. who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company and that

the period of office of the Director shall be liable to determination by retirement by rotation".

8. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 & 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the appointment of Mr. Seshagiri Rao M.V.S. as a wholetime Director, designated as 'Director-Finance', of the Company for a period of five years with effect from 6th April, 1999, on such terms and conditions as are set out in the agreement executed by the said Mr. Seshagiri Rao M.V.S., a copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement as may be agreed to between the Board of Directors and Mr. Seshagiri Rao M.V.S."

9. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT in accordance with the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Capital of the Company i.e. Rs. 20,00,00,00,000/- (Rupees Two Thousand Crores Only) divided into 2,00,00,00,000 (Two Hundred Crores) Equity Shares of Rs. 10/- each be and is hereby re-classified into 1,80,00,00,000 (One Hundred and Eighty Crores) Equity Shares of Rs.10/- each and 20,00,00,000 (Twenty Crores) Preference Shares of Rs. 10/- each and consequently, Clause V of the Memorandum of Association of the Company relating to Share Capital be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Clause V:

V. The Authorised Share Capital of the Company is Rs. 20,00,00,00,000/- (Rupees Two Thousand Crores Only) divided into 1,80,00,00,000 (One Hundred and Eighty Crores) Equity Shares of Rs.10/- each and 20,00,00,000 (Twenty Crores) Preference Shares of Rs.10/- each with power to increase or reduce Capital of the Company from time to time and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of the Association of the Company".

10. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 31 and all other

applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended as under :

a) The existing Article 3 be deleted and the following be substituted in its place and stead as new Article 3 :

3. 'The Authorised Share Capital of the Company is Rs. 20,00,00,00,000 (Rupees Two Thousand Crores) divided into 1,80,00,00,000 (One Hundred and Eighty Crores) Equity Shares of Rs. 10/- each and 20,00,00,000 (Twenty Crores) Preference Shares of Rs. 10/- each, with power to increase, consolidate, sub-divide, reduce or otherwise alter the Share Capital of the Company and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company and also to acquire, purchase, hold, re-sell, any of its own fully/partly paid shares and/or preference shares whether redeemable or not and to make any payment out of Capital or out of the funds at its disposal, for and in respect of such purchase, subject to the provisions of the Act in force from time to time.'

b) The existing Article 9 be deleted and the following be substituted in its place and stead as new Article 9 :

9. 'Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue from time to time, Redeemable Cumulative and/or Non-Cumulative, Convertible and/or Non-Convertible Preference Shares and such Preference Shares shall confer upon the holders thereof the right to be paid a fixed preferential dividend at a rate specified by the terms of issue of such shares from time to time in respect of the Capital paid-up on the shares and the right to attend meetings and vote on resolutions directly affecting their rights or where the dividend due on the shares is in arrears for not less than two years before the meetings, on all resolutions at every meeting of the Company and in case of winding-up, a preferential right of return of the Capital paid-up together with arrears of cumulative preferential dividend due thereon, but without any further right or claim over the assets of the Company'

c) Insert the following Article as Article 60A after Article 60.

Nomination of Shares 60A

1. 'Every holder/joint holder of shares in or holder/ joint holder of debentures of the Company may at any time, nominate, in accordance with the provisions of and in the manner provided by Section 109A of the Companies Act, 1956 and any amendments thereof from time to time, a person to whom all the rights in the shares or debentures

of the Company shall vest in the event of death of the holder/joint holder.

2. Subject to the provisions of Section 109A of the Act, and Article 60A.1, any person who becomes a nominee by virtue of the provisions of the Act, upon the production of such evidence as may be required by the Board or any committee thereof, elect either to be registered himself as holder of the shares or debentures as the case may be, or make such transfer of the share or debenture as the case may be, as the deceased share holder or debenture holder as the case may be, could have made, in accordance with the provisions of and in the manner prescribed by Section 109B of the Companies Act, 1956 and any amendments thereto from time to time ;

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

3. A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.'

d) In Article 2 for the definition of 'Member', the following definition be substituted :

'Member' means the duly registered holder of the shares of the Company from time to time, including the subscribers to the Memorandum of Association of the Company and beneficial owners as defined in Article 81A.'

e) Insert the following heading and Article as Article 81A after Article 81.

'DEMATERIALISATION OF SECURITIES'

81A

1. For the purpose of this Article :-

Definitions

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository ;

'SEBI' means the Securities and Exchange Board of India ;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

Dematerialisation of Securities

2. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its

securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors

3. Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in depositories to be in fungible form

4. All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and beneficial owners

5.
 - a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
 - b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
 - c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of documents

6. Notwithstanding anything in the Act, or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

7. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with in a depository

8. Notwithstanding anything in the Act, or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a depository

9. Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and Index of beneficial owners

10. The Register and Index of beneficial owners maintained by a depository under Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

- f) The existing Article 126 (3) be deleted and the following be substituted in its place and stead as new Article 126 (3) :

126 (3) 'Unless otherwise determined by the Company in General Meeting, the fee payable to a Director for attending a meeting of the Board or Committee thereof shall be such amount as may be fixed by the Board of Directors from time to time, subject to such limits, if any, as may be prescribed under the Act'.

11. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in accordance with the guidelines issued by Securities and Exchange Board of India (SEBI) and clarifications thereon issued from time to time and in accordance with the Memorandum & Articles of Association of the Company and subject to such terms and conditions as may be determined by the Board of Directors of the Company ("the Board", which term shall be deemed to include any Committee of Directors) and subject to approval of Reserve Bank of India and subject also to such approvals, consents, permissions or sanctions of the appropriate authorities/Institutions that may be required and agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to issue 27,60,00,000 Equity Shares of Rs. 10/- each in the Equity Share Capital of the Company for cash at par aggregating to Rs. 276 Crores (Rupees Two Hundred Seventy Six Crores Only) to the promoters being the Jindal Group Companies, which, inter alia, include Jindal Iron & Steel Company Ltd. (JISCO), Jindal Strips Ltd. (JSL) and Saw Pipes Ltd. (SPL) and associates whether or not they are members of the Company, on preferential allotment basis to the extent and in one or more tranches and in the manner as may be decided by the Board on this behalf.

RESOLVED FURTHER THAT the Equity Shares to be issued and allotted by the Company shall rank paripassu in all respects with the existing Equity shares of the Company except that the Dividend thereon shall be paid

pro-rata from the date of allotment of such new Equity shares.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such things and acts as may be necessary and expedient and to settle any matter that may arise in connection therewith.

RESOLVED FURTHER THAT the Board be and is hereby authorised to accept any modification(s) to or to modify the terms of issue of the said new Equity Shares including the pricing thereof, subject to the provisions of the Companies Act, 1956 and SEBI guidelines/Regulations, without being required to seek any further consent or approval of the Company in General Meeting."

By Order of the Board
for JINDAL VIJAYANAGAR STEEL LIMITED

P.S.M. CHARI

Date : 30th June, 1999.

Company Secretary

NOTES (Forming part of the Notice) :

- * A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- * The instrument(s) appointing the proxy, if any, shall be delivered at the Regd. Office of the Company at Toranagallu, Bellary District-583 123, Karnataka, not less than forty eight (48) hours before the commencement of the Meeting and in default, the instrument of proxy shall be treated as invalid. Proxies shall not have any right to speak at the meeting.
- * The Register of Members and the Share Transfer Books of the Company will remain closed from 17th August, 1999 to 23rd August, 1999 (both days inclusive).
- * Members are requested to **intimate the Registrar and Share Transfer Agents of the Company, M/s. Karvy Consultants Limited, 51/2, TKN Complex, Vani Vilas Road, Opposite National College, Basavanagudi, Bangalore - 560 004, immediately of any change in their address.**
- * Members desirous of having any information regarding Accounts are requested to address their queries to the Vice-President (Finance) at the Registered Office of the Company atleast seven days before the date of the meeting, so that the requisite information is made available at the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5 :

Dr. S.K. Gupta was appointed as Vice-Chairman (Wholetime Director) of your Company with effect from 7th July, 1997. While recommending certain re-organisation in the management responsibilities, the Board of Directors decided to elevate Dr. S.K. Gupta as the Executive Vice-Chairman of the Company for a period of three years with effect from 20th December, 1998. Dr. Gupta as the Executive Vice-Chairman will synergise and further strengthen the top management team to provide a focused long term vision to the Company with sustained performance. He has been entrusted with certain additional responsibilities commensurate with corresponding authorities which he would discharge in association with the Managing Director and the Joint Managing Director.

Members' approval is now sought for the appointment of Dr. S.K. Gupta as Executive Vice-Chairman of your Company, for a period of three years commencing from 20th December, 1998 upto 19th December, 2001 and for the payment of the same salary and other perquisites to which Dr. Gupta is entitled as Vice-Chairman of your Company and which were earlier approved by the Members in their Annual General Meeting held on 30th September, 1997.

A copy of the agreement executed earlier by Dr. Gupta for his appointment as Vice-Chairman is available for inspection by the Members at the Registered Office of the Company from 10.00 A.M. to 12 Noon on all the working days.

None of the Directors except Dr. S.K. Gupta, is in any way interested or concerned in the proposed resolution.

Your Directors recommend the resolution for your approval.

Item No. 6 :

Mr. U. Mahesh Rao was appointed by the Board of Directors of your Company in their meeting held on 1st September, 1998 as an Additional Director of your Company pursuant to Section 260 of the Companies Act, 1956 and he holds office upto the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the appointment of Mr. U. Mahesh Rao as a Director of your Company.

Mr. Mahesh Rao, prior to joining your Company's Board, was the Chairman and Managing Director of General Insurance Corporation of India (GIC), overseeing the portfolios of Finance, Investments and Accounts of GIC and its four subsidiary Companies. Mr. Mahesh Rao brings to bear varied experience spanning a period of over 37 years in General Insurance Industry.

None of the Directors other than Mr. U. Mahesh Rao is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

Item Nos. 7 & 8 :

Mr. Seshagiri Rao M.V.S. was appointed as an Additional Director of your Company in the Board Meeting held on 6th April, 1999 pursuant to Section 260 of the Companies Act, 1956 and he holds office upto the date of the ensuing Annual General Meeting. Your Company has received a Notice under Section 257 of the Companies Act, 1956 from a member proposing the appointment of Mr. Seshagiri Rao, as a Director of the Company.

To provide for increased executive participation at the Board level, your Directors have, at their meeting held on 6th April '99 appointed Mr. Rao as Director (Finance) of your Company with effect from 6th April '99.

Mr. Rao is a Member of the Institute of Cost and Works Accountants of India and is a licenciate member of the Institute of Company Secretaries of India. He is also a CAIIB and a Diploma holder in Business Finance awarded by the Institute of Chartered Financial Analysts of India. Mr. Rao joined your Company in 1997 as Chief Financial Officer and has over the years grown with the Company progressively shouldering higher responsibilities. He possesses sufficient experience spanning over two decades in the areas of corporate finance and banking and has held key positions in large corporate houses in India. In view of his experience and distinguished career, the appointment of Mr. Seshagiri Rao as Director (Finance) would be in the best interest of your Company. Members approval is sought for the appointment of Mr. Rao, as Director (Finance) for a period of five years with effect from 6th April '99 and for the payment of salary and other perquisites to him as detailed below :

1. REMUNERATION :**i) Salary :**

Rs. 44,520/- (Rupees forty four thousand, five hundred and twenty only) per month.

ii) Commission :

A stock option scheme is being evolved which would be applicable. Performance linked bonus scheme is being evolved which would be applicable.

iii) Other allowance :

Rs. 18,200/- (Rupees eighteen thousand two hundred only) per month.

iv) Perquisites :**Housing :**

House Rent Allowance of Rs. 20,000/- per month.

Medical Reimbursement :

Reimbursement of medical expenses incurred for self and family subject to a ceiling of Rs. 25,000/- per annum in a year or Rs. 75,000/- over a period of three years.

Leave Travel Concession :

Leave Travel Concession for self and family, once in a year incurred in accordance with

the Rules of the Company, not exceeding Rs. 25,000/- per annum.

Club Fees :

Fees of clubs subject to a maximum of two clubs. No admission and life membership fees will be paid.

2. PROVIDENT FUND AND SUPERANNUATION FUND :

- Company's contribution towards Provident Fund as per the Rules of the Company but not exceeding 12% of the Salary of the Director (Finance).
- Company's contribution towards Superannuation Fund as per the Rules of the Company, but it shall not, together with Company's Contribution to Provident Fund, exceed 25% of the salary.
- Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act.

3. GRATUITY :

Gratuity as per rules of the Company, but shall not exceed one half month's salary for each completed year of service.

4. EARNED LEAVE :

Earned Leave on full pay and allowances as per the Rules of the Company, but not exceeding one month's leave for every eleven months of service and leave accumulated shall be encashable at the end of the tenure. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling of perquisites.

- Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

The aggregate of the salary and all perquisites as enumerated above, shall at no time exceed the limits as may be prescribed from time to time under the provisions of the Companies Act, 1956, schedules thereto and rules thereunder, as well as any other statutory provisions as may be applicable.

The Director (Finance) shall not be eligible for any sitting fees for the Company's Board or Committee meetings.

The above details may please be treated as an abstract of the terms of appointment of Mr. Seshagiri Rao under Section 302 of the Companies Act, 1956.

A copy of the agreement executed by Mr. Seshagiri Rao is available for inspection by the members of the Company at its Registered Office from 10.00 A.M. to 12.00 Noon on all working days of the Company.

None of the Directors other than Mr. Seshagiri Rao is concerned or interested in the resolutions.

Your Directors recommend the resolutions for your approval.

Item No. 9 :

The present Authorised Capital of your Company is Rs. 20,00,00,00,000 (Rupees Two Thousand Crores) divided into 2,00,00,00,000 (Two Hundred Crores) Equity Shares of Rs. 10/- each. It is proposed to re-classify the Authorised Capital in the manner as set out in the Notice in accordance with Section 94 of the Companies Act, 1956. The re-classification of the Authorised Capital of the Company is proposed to hereafter decide the issue of shares pursuant to existing commitments and proposals to issue shares of your Company.

The Alteration of the Capital Clause of the Memorandum of Association of your Company is purely consequential and is in accordance with Section 16 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

None of the Directors of your Company is in any way concerned or interested in the proposed resolution.

Item No. 10 :

The Directors recommend the amendment of Articles of Association of the Company for the following reasons :

- * The alteration of Article 3 of the Articles of Association is consequential to the alteration of Capital Clause of the Memorandum of Association of your Company (Please refer to the resolution set out at Item No. 9 of this Notice). The amended Article 3 would also enable the Company to purchase its own securities on such terms and conditions and in the manner prescribed by the laws in force at that time.
- * Your Company may from time to time consider it advisable to issue Redeemable Cumulative and/or Non-Cumulative, Convertible and/or Non-Convertible Preference Shares and it would therefore be prudent to incorporate a specific Article in the Articles of Association of your Company for this purpose.
- * For the benefit of share and debenture holders, the facility of nomination has been introduced by the Companies (Amendment) Act, 1999, consequent to which it is required to incorporate a specific article (60A) for the purpose in the Articles of the Association of your Company as specified in Item No. 10(c) of this notice.
- * Your Company has enlisted its securities with the National Securities Depository Limited (NSDL) which would facilitate the holding & trading in securities of your Company in the electronic mode. Your Company's shares have already been admitted as an eligible security in the Depository System by NSDL and can be dematerialised at the option of the Shareholder.
- * In order to bring your Company's Articles of Association in line with the Depositories Act, 1996 and the amendments made to the Companies Act, 1956 upon introduction of the Depository System, certain changes are required to be made in the Articles of Association of the Company as specified in Item No. 10(d) and (e) of this Notice.
- * Article 126(3) of the Articles of Association is being

amended to accommodate any increase in sitting fees that may be payable to the Directors. Your Company is currently paying a sitting fee of Rs. 500/- per meeting of the Board as was fixed at the time of incorporation of the Company in 1994. It is proposed to amend the existing sub-clause (3) of Article 126 authorising your Board of Directors to fix sitting fees which shall not exceed the amount prescribed under the Act.

None of the Directors of your Company is concerned or interested in the proposed resolution. However, the non-whole-time Directors may be deemed to be concerned or interested in the proposed Alteration of Article 126(3).

Your Directors recommend the resolution for your approval.

Item No. 11 :

The members may be aware that two special resolutions (Item Nos. 10 & 11) were passed in the last Annual General Meeting held on 1st September, 1998 for issue of 27,60,00,000 (12,60,00,000 + 15,00,00,000) Equity Shares of Rs. 10/- each for cash at par on preferential basis to the promoters, being the Jindal Group Companies and associates. The said resolutions could not be acted upon within the period stipulated under SEBI Guidelines. Hence a special resolution at Item No. 11 of the appended notice is once again proposed for the approval of the Members.

The promoters of your Company presently hold an aggregate of 38.22% of subscribed equity capital of Rs. 1175 Crores which after the proposed preferential allotment of all 27.60 Crores Equity Shares as aforesaid, would enhance the promoters' holding to 49.97% of the subscribed equity capital of Rs. 1451 Crores. The preferential issue and allotment of equity shares is proposed to be made for cash at par value of Rs. 10/- each, which pricing is higher than that arrived at pursuant to the guidelines issued by SEBI in this regard. The proposed preferential allotment to any of the promoters as aforesaid would not result in any change in the control over your Company.

Under the proposed special resolutions consent of the shareholders is being sought, pursuant to Section 81 and other applicable provisions of the Companies Act, 1956, to offer the proposed issue of share capital on preferential basis, as aforesaid.

The Directors therefore recommend the resolution for your approval.

The Directors of your Company may be deemed to be concerned or interested to the extent that the preferential allotment of equity shares is made to such promoter companies in which they are Directors.

By Order of the Board of Directors
for JINDAL VIJAYANAGAR STEEL LIMITED

P.S.M. CHARI
Company Secretary

Date : 30th June, 1999.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifth Annual Report of your Company along with the Audited Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

Your Company improved the utilisation of the Roughing Mill and achieved an increased production of 350643 tons of HR plates during the year. The production levels could have been even higher, but for the sharply declining steel prices and low demand that affected the steel industry as a whole - both domestically and internationally. However, in spite of this, the finishing mill produced 348704 tons of Hot Rolled Coils. It was gratifying to achieve significant quality improvement from month to month during this period.

In spite of lower capacity utilisation and consequent higher incidence of fixed cost, your Company achieved a turnover of Rs. 537.91 crores resulting in a negative profit of Rs. 29.04 crores in the process.

2. STATUS OF PROJECT

Achieving cost reduction was essential to compete in the recessionary market. Your Company therefore, focused on commissioning Corex Iron making, BOF Steel making and Continuous Caster shops, so as to ensure regular availability of slabs at a low cost and to reduce the dependency on bought out material. Significant modifications and replacement have been made in the raw materials feeding system to suit the production requirements. Currently, the Corex first module after completion of all necessary modifications, is undergoing pre-commissioning trials. It is scheduled for hot commissioning in the month of August '99. While initial commissioning of Corex was achieved in October '98, unprecedented rains in Bellary-Hospet region led to the failure in the feeding and transport systems and the Corex operation had to be closed down until rectification had been completed.

BOF-CCP shop is also ready for commissioning by end of August '99 to receive hot metal from Corex-I and produce continuously cast steel slabs. With these, 0.8 MT of integrated iron & steel production capacity will be established.

Your Company has been constantly following up with the Financial Institutions for disbursement of already sanctioned additional funds to implement Corex-II and CCP-II, which formed part of the original project. These units are now scheduled to be commissioned during the second half of 2000.

In the Pelletization plant, major portion of the civil work has been completed and equipment has started coming at site. The Pellet Plant which is expected to reduce overall cost of production is also scheduled to come into operation in the second half of 2000.

The Financial Institutions have taken the task to appoint a German Engineering and Management Firm as Independent Engineers to undertake a detailed review of the physical and financial progress of the project. They have also been helping the management by monitoring the progress of implementation of the project and operational performance. Their findings have confirmed the soundness of the project, its capacity to operate at desired capacity levels and re-affirmed the cost advantages provided to your Company through the utilisation of the Corex technology and low cost Iron Ore sources.

As per the business plan of 1999-2000, your Company will produce more than One million tons of hot rolled coils, sheets and plates. Around 60% of the same will be processed for cold rolling and galvanising in the sister Company, JISCO and marketed in India and abroad. The rest of the products will be sold to customers in South India in Chennai, Hyderabad, Bangalore and Trichy. Due to the cost efficient technology route and locational advantages in the expanding market in South India, the products of your Company are cost effective and competitive.

3. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

i) JINDAL TRACTEBEL POWER CO. LTD. (JTPCL)

Jindal Tractebel Power Company Ltd. (JTPCL) has started its first unit in January '99. This unit is currently under shut down due to certain technical snags. This unit is expected to be re-commissioned in the next six months. The second unit is ready and scheduled to be commissioned along with first unit.

ii) JINDAL PRAXAIR OXYGEN CO. LTD. (JPOCL)

Jindal Praxair Oxygen Company Ltd. has already commissioned its first unit and has started supplying Oxygen to Corex-I. The second unit of Oxygen plant is scheduled to be commissioned matching with the commissioning of Corex-II.

iii) VIJAYANAGAR MINERALS (P) LTD. (VMPL)

VMPL, pursuant to feasibility report prepared by MECON has taken steps for the development and exploration of the Thimnappagudi Iron Ore Mines (TIOM) primarily to meet the lump and fines requirement of your Company. The Company has undertaken geological exploration work and has awarded contracts for mining. The implementation is progressing well.

4. DIVIDEND

Since your Company has not made any profits during the year under review, your Directors have not recommended any dividend.