



JINDAL VIJAYANAGAR STEEL LIMITED



**8th Annual Report
2001-2002**

BOARD OF DIRECTORS

MR. P.R. JINDAL
Chairman

DR. S.K. GUPTA
Executive Vice-Chairman

MR. SAJJAN JINDAL
Managing Director

MR. J.K. TANDON
Jt. Managing Director & CEO

MR. SESHAGIRI RAO M.V.S
Director (Finance)

MR. N.D. PINGE
Nominee Director of ICICI

MR. S. DORESWAMY
Nominee Director of IDBI

MR. B.S. PATIL, I.A.S
Nominee Director of KSIIDC

MR. S. SWATANTRA RAO, I.A.S
Nominee Director of KSIIDC

MR. B.R. SETHI
Nominee Director of LIC of India

DR. S.S. JHA
Nominee Director of IFCI Ltd.

MR. MOOSA RAZA, I.A.S. (Retd.)
Director

MR. U. MAHESH RAO
Director

DR. RAMASWAMY P. AIYAR
Director

COMPANY SECRETARY
MR. K.T. KRISHNA DESHIKA

STATUTORY AUDITORS
M/S. LODHA & COMPANY
6, Karim Chambers,
40A, Doshi Marg (Hamam Street),
Mumbai – 400 023.

CONCURRENT AUDITORS
M/S. PRICE WATERHOUSE
Mittal Tower, 10th Floor, 'C' Wing,
47/6, M.G. Road,
Bangalore – 560 001.

BANKERS
Allahabad Bank
ICICI Bank Limited
Punjab National Bank
State Bank of India
State Bank of Indore
State Bank of Mysore
Vijaya Bank

REGISTERED OFFICE & WORKS
P.O. Toranagallu, Sandur Taluk,
Dist. Bellary, Karnataka – 583 123.

REGISTRARS & SHARE TRANSFER AGENTS
M/s. Karvy Consultants Limited
TKN Complex, 51/2, Vanivilas Road
Opp. National College, Basavanagudi
Bangalore – 560 004.

NOTICE

NOTICE is hereby given that the **EIGHTH ANNUAL GENERAL MEETING** of the Shareholders of **JINDAL VIJAYANAGAR STEEL LIMITED** will be held on **Friday the 23rd day of August, 2002 at 12.00 Noon** at the Registered Office of the Company at Village & P.O. Toranagallu, Sandur Taluk, Bellary District - 583 123, Karnataka, to transact the following business :

ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Profit and Loss Account and Statement of Pre-Operative Expenditure for the year ended 31st March, 2002 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and the Auditors thereon.
- To appoint a Director in place of Mr. J.K. Tandon who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. B.S. Patil, I.A.S who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Dr. Ramaswamy P. Aiyar who retires by rotation and being eligible, offers himself for re-appointment.
- 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:

- 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 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, the Company hereby approves the re-appointment of Dr. S.K. Gupta as Executive Vice-Chairman of the Company for a period of two years with effect from 20th December, 2001 upon such terms and conditions as are set out in the agreement, a copy of which is initialled by the Chairman for the purpose of identification and placed before this meeting, with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement including the remuneration so as to not exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Dr. S.K. Gupta."
- To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :
"RESOLVED THAT subject to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956 and in accordance with the provisions of the Articles of Association of the Company, the Company hereby approves the re-appointment of Mr. Sajjan Jindal as the Managing Director of the Company w.e.f. 7th July, 2002 on the following terms and conditions which the Board of Directors is authorised to alter or vary in such manner as they may consider necessary and expedient and acceptable to Mr. Sajjan Jindal :

Period of Appointment	: Five years w.e.f. 7th July, 2002
Remuneration	: No remuneration or perquisites. This shall however be subject to review by the Board of Directors at an appropriate time.
Perquisites	
Powers, Duties and Functions	: Mr. Sajjan Jindal shall have general control, management and superintendence of the business of the Company in the ordinary course of business and shall exercise and perform all such powers and duties which in the ordinary course of business may be considered necessary, proper and in the interest of the Company subject always to any directions or restrictions from time to time given or imposed by the Board of Directors of the Company and by Law."
- 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 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby approves the re-appointment of Mr. J.K. Tandon as the Joint Managing Director & CEO of the Company for the period from 5th November, 2002 to 31st March, 2004 upon such terms and conditions as are set out in the draft agreement, a copy of

which is initialled by the Chairman for the purpose of identification and placed before this meeting, with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and / or agreement including the remuneration so as to not exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Mr. J.K. Tandon."

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

K.T. KRISHNA DESHIKA
Vice President (Project Finance) &
Company Secretary

Place : Mumbai
Date : 30th May, 2002

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/HERSELF 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 P.O. Toranagallu, Sandur Taluk, 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 Explanatory Statement setting out the material facts in respect of the businesses under item numbers 6 to 8 is annexed hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from 06.08.2002 to 09.08.2002 (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 Chief General Manager (Finance & Accounts) at the Registered Office of the Company at least seven days before the date of the meeting, so that the requisite information is made available at the meeting.
- Pursuant to Section 205C of the Companies Act, 1956, and the Investor Education & Protection Fund (Awareness and Protection of Investors) Rules, 2001, the whole of the amounts lying unclaimed/unpaid in the Company's Refund Order Account have been transferred to the Investor Education & Protection Fund of the Central Government within the due date prescribed. No claim shall lie against the fund or the Company as per the provisions of the said Section 205C.
- Members holding Share/Debtenture certificates under different folio numbers but in the same order of name are requested to apply for consolidation of such folios and send relevant Share/Debtenture certificates to the Registrar and Share Transfer Agents of the Company - M/s. Karvy Consultants Limited, Bangalore.
- For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the proxy form. Members are requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
- As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual Report to the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT :

The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 for item numbers 6 to 8 of the accompanying notice is as under :

Item No. 6 :

Dr. S.K. Gupta was appointed as the Vice-Chairman of your Company w.e.f. 7th July, 1997 at the 3rd Annual General Meeting of the Company held on 30th September, 1997. He was subsequently elevated to the office of the



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Executive Vice-Chairman w.e.f. 20th December, 1998 in the 5th Annual General Meeting held on 28th September, 1999. Since his term as Executive Vice-Chairman expired on 19th December, 2001, your Directors have in their meeting held on 27th October, 2001 re-appointed Dr. S.K. Gupta as Executive Vice-Chairman for a further period of two years w.e.f. 20th December, 2001 subject to the approval of the members. The terms of remuneration/salary scale of Dr. S.K. Gupta has also been revised w.e.f. 1st April, 2002 within the overall ceiling limit of Rs. 2 lacs per month fixed by the members in the 6th Annual General Meeting of the Company held on 18th August, 2000.

Dr. Saibal Kanti Gupta, aged 64 years, a technocrat joined the Board of the Company in 1994. He is B.Sc. (Met. Engg.), Ph.D (Tech.) and D.Sc. (Tech.). He was Professor and Head – Metallurgical Engineering, Indian Institute of Technology, Mumbai. He has also served as CEO/Director on the Board of several reputed companies like SAIL, Rourkela Steel, MECO, RINL, Mishra Dhatu Nigam Limited, IDBI, HZL, etc. His re-appointment would be in the best interest of the Company.

Members approval is now sought for the said re-appointment of Dr. S.K. Gupta, as Executive Vice-Chairman of your Company for a further period of two years commencing from 20th December, 2001 upto 19th December, 2003 and for the payment of salary and perquisites already fixed and to be fixed from time to time by the Board of Directors within an overall ceiling of Rs. 2 lacs per month.

The remuneration of Dr. S.K. Gupta will be fixed by the Board of your Company from time to time in such a manner that the aggregate value of all the perquisites like rent free and maintained accommodation or HRA in case Dr. Gupta is occupying any premises on his own, gas, electricity, water, furniture and furnishings, LTC for self and family, club fees, medical benefit, personal accident insurance, interest subsidy on housing loans, annual fees for professional bodies and other allowances/benefits etc., in accordance with the rules of the Company together with salary, performance linked incentive/reward/bonus/employees stock option, shall not exceed Rs. 2 lacs per month. The following perquisites shall not be included in the computation of the ceiling on remuneration specified above :

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (iii) Earned leave with full pay or encashment as per rules of the Company.

The Board of Directors may, in its discretion pay to Dr. Gupta lower remuneration than the maximum remuneration herein above stipulated and revise the same from time to time within the maximum limit stipulated by this resolution.

A copy of the agreement executed with Dr. S.K. Gupta is available for inspection by the members at the Registered Office of the Company from 10.00 a.m. to 12.00 noon on all 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 as at item no. 6 of the notice for your approval.

The above may also be treated as an abstract of the terms of the Agreement entered into between the Company and Dr. S.K. Gupta in terms of Section 302 of the Companies Act, 1956.

Item No. 7 :

The appointment of Mr. Sajjan Jindal as Managing Director of your Company for a period of five years effective from 7th July, 1997 was approved by the members in the 3rd Annual General Meeting of the Company held on 30th September, 1997. His period of office expires on 6th July, 2002. Your Directors have in their meeting held on 30th May, 2002 re-appointed Mr. Sajjan Jindal as Managing Director for a further period of five years w.e.f. 7th July, 2002. The said re-appointment requires approval of the Members in a General Meeting.

Mr. Sajjan Jindal is the principal promoter of your Company. He is also a Director in several other Companies. He is also the Chairman and Managing Director of Jindal Iron & Steel Company Limited (JISCO). Mr. Jindal moved to Mumbai in 1983, to independently look after the Western Region operations of Jindal Group. He was a pioneer in developing DD & EDD grades of mild steel in the Indian steel sector (an import substitute product). He holds a Bachelor Degree in Engineering from the Bangalore University. Infact it was his dream, vision and planning that led to the setting-up of the state-of-the-art of Corex Technology based Mega Integrated Steel Plant in Toranagallu, Bellary District.

His appointment as Managing Director is in the best interest of your Company and he will bring to bear his rich experience and association with other Companies, in managing the affairs of your Company.

Except Mr. Sajjan Jindal and Mr. P.R. Jindal, no other Director of your Company is in any way concerned or interested in the resolution.

Your Directors recommend the resolution as at item no. 7 of the notice for your approval.

Item No. 8 :

The members of the Company had in their Extra-ordinary General Meeting held on 9th February, 1998 approved the appointment of Mr. J.K. Tandon, as Jt. Managing Director & CEO of the Company for a period of 5 years commencing from 5th November, 1997. The term of Mr. J.K. Tandon will expire on 4th November, 2002. Your Directors have in their meeting held on 30th May, 2002 re-appointed Mr. J.K. Tandon as Jt. Managing Director & CEO for a further period from 5th November, 2002 to 31st March, 2004 on the terms and conditions contained in the Draft Agreement to be executed with Mr. Tandon. Members' approval is now sought for the said re-appointment and the payment of salary and perquisites to be fixed from time to time by the Board of Directors within an overall ceiling of Rs. 2 lacs per month.

The remuneration of Mr. J.K. Tandon will be fixed by the Board of Directors of your Company from time to time in such a manner that the aggregate value of all the perquisites like rent free and maintained accommodation or HRA in case Mr. Tandon is occupying any premises on his own, gas, electricity, water, furniture and furnishings, LTC for self and family, club fees, medical benefit, personal accident insurance, interest subsidy on housing loans, annual fees for professional bodies and other allowances/benefits etc., in accordance with the rules of the Company together with salary, performance linked incentive/reward/bonus/employees stock option, shall not exceed Rs. 2 lacs per month. The following perquisites shall not be included in the computation of the ceiling on remuneration specified above :

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity fund to the extent they either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (iii) Earned leave with full pay or encashment as per rules of the Company.

The Board of Directors may, in its discretion pay to Mr. Tandon lower remuneration than the maximum remuneration herein above stipulated and revise the same from time to time within the maximum limit stipulated by this resolution.

The terms of remuneration of Mr. J.K. Tandon has the approval of the Remuneration Committee. The remuneration payable to Mr. J.K. Tandon is subject to the approval of the Central Government as per the amended provisions of Schedule XIII of the Companies Act, 1956.

Mr. Jugal Kishore Tandon, aged 60 years, is a B.Tech. (Metallurgy) from IIT Mumbai and has considerable experience of over four decades in setting up and successfully operating mega projects in various parts of the Country and managing all aspects of business. Considering his vast experience and the rich contribution he has made to the growth of your Company, especially, the enthusiasm he has shown in the implementation of the various units of the Integrated Steel Plant and their stabilisation, it would be in the best interest of the Company to re-appoint Mr. J.K. Tandon, as the Jt. Managing Director & CEO.

A copy of the draft Agreement proposed to be executed with Mr. J.K. Tandon is available for inspection by the members at the Registered Office of the Company from 10.00 a.m. to 12.00 noon on all working days.

Except Mr. J.K. Tandon no other Director of your Company is in any way concerned or interested in the resolution.

Your Directors recommend the resolution as at item no. 8 of the notice for your approval.

The above may also be treated as an abstract of the terms of the Agreement to be entered into between the Company and Mr. J.K. Tandon in terms of Section 302 of the Companies Act, 1956.

By Order of the Board
for JINDAL VIJAYANAGAR STEEL LIMITED

Place : Mumbai
Date : 30th May, 2002

K.T. KRISHNA DESHIKA
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eighth Annual Report of your Company along with the Audited Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

Rs. Crores			
Sr. No.	Particulars	31.03.2002	31.03.2001
1.	Sales	2000.34	1345.78
2.	Other Income	2.70	3.15
		2003.04	1348.93
3.	Gross Profit/(Loss) before Interest, Depreciation, Miscellaneous Expenses written off and Taxation	281.04 (14.03%)	230.86 (17.12%)
4.	Interest and Finance Charges	444.35	194.34
5.	Cash Profit/(Loss)	(163.31)	36.52
6.	Depreciation and Miscellaneous Expenses written off	268.17	86.14
7.	Profit/(Loss) before Tax	(431.48)	(49.62)
8.	Tax including Deferred Tax Income (net)	80.41	Nil
9.	Net Profit/(Loss) for the year	(351.07)	(49.62)

The Company achieved 95% of target in quantitative terms. The continued downward pressure on selling prices throughout the year led to significant drop in gross profit margins even after achieving substantial reduction in costs and significantly higher sales turnover. Interest and finance charges and depreciation including miscellaneous expenses written off are higher than that of the previous year due to commencement of commercial production of Corex-01, BOF-CCP shops during the year.

2. STATUS OF PROJECT

Having commissioned all the units of integrated operation in the year 2001-02, stabilisation and higher capacity utilisation had been the major thrust during the year.

There was no major project activity during the financial year. The projects relating to additions, modifications and refurbishing aiming at incremental improvement in productivity, environment and energy consumption were taken up. Such projects completed in 2001-02 are :

- De-dusting facilities in RMHS and LCP area.
- Re-circulation system for the SGP.
- Gasholder of 100,000 m³ capacity.
- Extension of the coil yard of HM and CTL bays.
- 4 Nos. of crane in BOF-CCP and 3 Nos. of crane in HSM.
- Hot slab charging facilities - Phase 01.

3. NEW PROJECTS/EXPANSION

Slag Grinding Unit

In the process of Iron making there is a large quantum of Slag generated to the extent of 50,000 to 60,000 tonnes per month. The entire slag is granulated using the latest technology and the same can be used with clinker to produce high quality cement. Considering the economic and quality advantages of the Slag cement, the consumption of cement of this grade is gradually increasing. The payback period is short and the returns are high. Keeping in view the current liquidity constraints, your Directors have approved, subject to approval of the lenders for the means of finance, the proposal to set up a small second-hand Slag Grinding Unit to render part of the surplus Slag generated marketable. The estimated cost of the project is Rs. 8 crores. The project is under implementation. Basic engineering for the project is nearing completion and the civil construction work is progressing satisfactorily. The mechanical erection of the plant and equipment is expected to be completed as per schedule.

4. FUTURE PROSPECTS

Your Company has achieved production of Hot Rolled Coils of 12,71,609 tonnes, achieving a capacity utilisation of 80% of the installed capacity. Due to depressed market conditions for flat products, your Company adopted the strategy of stopping the production at semi-finished stage of slab manufacture and converting the slabs into blooms and billets for

sale into long product segment. Had these slabs been also converted into Hot Rolled Coils, the capacity utilisation could have been closer to 90% in the very first year of integrated operation. During this period of turbulence, your Company is one of the few steel companies in the world, still posting positive earnings before interest, tax and depreciation (EBITDA). Your Company has shown resilience during the period of unprecedented downturn with historically low price realisation scenario due to its inherent strengths of cost effective, environmental friendly Corex technology and low cost of production on account of locational advantages. With improvement in price realisations, your Company is poised to take full advantage of the upside while striving to focus upon reduction in costs and improvement in productivity. While there is a over supply situation in the flat steel market, both in India and abroad, the finished goods inventory of your Company continues to be less than 5 days production even with doubling of production during the year due to assured off-take from Group Companies and the advantage of being the only flat steel producer in South India.

In view of prolonged downturn in the steel industry, your Company had initiated comprehensive financial restructuring programme which envisaged, *inter alia*, conversion of part of the debt into equity with conversion of corresponding amount of existing equity capital into preference shares, reduction and restructuring of interest rates etc. Some of the lenders are yet to approve and implement the restructuring package. Considering further drop in prices, the lenders have been approached to modify the restructuring package adjusting commitments to lenders with the available cash flows in low cash scenario. This proposal is under consideration of the lenders.

The current year business plan envisages 95% capacity utilisation with an increase in turnover by 25%. With this achievement, your Company is expected to earn a cash profit with implementation of modified restructuring package by all the lenders equal to around 70% of the depreciation and miscellaneous expenses written off.

5. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

i) JINDAL THERMAL POWER COMPANY LIMITED (JTPCL)

The Company's name has been changed from Jindal Tractebel Power Company Limited to Jindal Thermal Power Company Limited w.e.f. 17th January, 2002. Tractebel S.A., Belgium, the Joint Venture partner, who was holding 50% of shares, opted to exit by selling their entire stake in the Company. Jindal Group increased their holding by acquisition of 12% and the balance 38% was taken by Indian Financial Institutions. Both the units of 130 MW have been working at 95% PLF. JTPCL has supplied 1,095 (MU) of power to your Company in the year for catering its demand and that of Jindal Praxair Oxygen Company Private Limited (JPOCPL). Now JTPCL is fully meeting the requirements of the Steel & Oxygen Plants.

JTPCL has also supplied 967 MU of power to Karnataka Power Transmission Corporation Ltd., (KPTCL) during the period under review.

This Company has recorded a net profit of Rs. 45.88 Crores for the year ended 31st March, 2001 and Rs. 56.56 Crores for the year ended 31st March, 2002.

ii) JINDAL PRAXAIR OXYGEN COMPANY PRIVATE LIMITED (JPOCPL)

Oxygen Plant Module # 1 and Module # 2 have been working well. JPOCPL has supplied Oxygen (1,351,300 T), Nitrogen (316,413 T) and Argon (6,028 T) to your Company in the year to meet the Steel Plant's requirements.

JPOCPL is also supplying Liquid oxygen, Liquid Nitrogen and Liquid Argon to third party customers through Praxair India Ltd. JPOCPL has made a net profit of Rs. 8.45 Crores for the year ended 31st March, 2001.

iii) VIJAYANAGAR MINERALS (P) LIMITED (VMPL)

During the year, VMPL has supplied 638661.08 MT of Iron Ore to your Company. Of the above 455,479.63 MT is Iron Ore Fines and 183,181.45 MT are Iron Ore Lumps. VMPL has developed the Thimmappanagudi Iron Ore Mines (TIOM) at 1 million MT capacity per annum within a record time of six months. Apart from this, the stabilisation and consistency of the quality of the ore dispatched from TIOM by adopting quality systems, is one of the landmark achievements during the year. The Company is maintaining the Fe% of the fines consistently well above 65% and A1₂O₃ below 1.83% thereby supplying quality material and meeting the requirements of JVSL. VMPL has also been distinguished as the most reliable supplier by your Company.



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The scientific method of mining and mine planning adopted at the mines were well appreciated by the Indian Bureau of Mines (IBM) and the Department of Mines and Geology, Karnataka. TIOM was awarded the Best Prize for Supervision Standards, HRD in mines and Publicity and Safety propaganda in mines, by the Mines Safety Association of Karnataka.

6. DIVIDEND

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

7. FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from the public during the year under review.

8. DIRECTORS

Mr. J.K. Tandon, Mr. B.S. Patil, IAS and Dr. Ramaswamy P. Aiyar, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The proposals regarding their re-appointment as Directors are placed for your approval.

Your Directors have also re-appointed Dr. S.K. Gupta as Executive Vice-Chairman, Mr. Sajjan Jindal as Managing Director and Mr. J.K. Tandon as Joint Managing Director & Chief Executive Officer for further periods subject to necessary approvals. The proposals regarding their re-appointment are also placed for your approval.

Mr. Ratan Jindal, Director, resigned from the Board with effect from 10th November, 2001. Mr. Ratan Jindal served your Company as a Director during the period from 15th March, 1994 to 10th November, 2001. The Board of Directors place on record its deep appreciation of the valuable services rendered by Mr. Ratan Jindal during his tenure as Director.

Consequent to Mr. Ratan Jindal's resignation, Mr. N.K. Jain who was appointed as Alternate Director to Mr. Ratan Jindal by the Board with effect from 19th January, 2001 vacated office w.e.f. 10th November, 2001. The Board of Directors place on record its deep appreciation of the valuable services rendered by Mr. N.K. Jain during his tenure.

KSIIDC has nominated Mr. S. Swatantra Rao, IAS as its nominee on the Board of your Company with effect from 20th May, 2002 in place of Mr. C.K. Neelakanta Raj, IAS (Retd.). Mr. Neelakanta Raj served your Company as a Director during the period from 28th October, 1999 to 20th May, 2002. The Board of Directors place on record its deep appreciation of the valuable services rendered by Mr. C.K. Neelakanta Raj, IAS (Retd.).

9. SHARE CAPITAL**Forfeiture and Annulment of forfeiture of shares:**

3,53,410 equity shares were forfeited during the year for non-payment of allotment money arrears aggregating to Rs. 16,15,075/-.

Out of 20,69,78,250 equity shares forfeited during the year 2000-01 for non-payment of Call money arrears aggregating to Rs. 1,46,04,30,150/-, forfeiture in respect of 1,44,100 shares were annulled during the period under review.

10. AUDITORS

M/s. Lodha & Co., Chartered Accountants, Auditors of the Company will retire at the end of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

11. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**a) Conservation of Energy**

Information on Conservation of Energy, required to be disclosed 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 are provided as an Annexure to this report.

b) Technology Absorption

The R&D Project partly funded by Ministry of Steel and Department of Science and Technology to identify suitable Indian non-coking coal for part replacement of imported coal is continuing in collaboration with Society for Innovation and Development (SID), Indian Institute of Science, Bangalore and Central Fuel Research Institute, Dhanbad. Four coal sources have been identified and are being evaluated for their suitability for usage in Corex.

Systematic research efforts to improve Corex Process have continued. Important achievements include increased iron ore fines utilisation, reduced fuel rate and increased production rate.

During the period of stabilisation of Pellet Plant operation, efforts have been initiated to improve quality of pellets and significant

reduction in fines content and some improvement in metallurgical quality. Use of Corex sludge in pelletisation process has been successfully incorporated saving good amount of coal fines and in the process waste utilisation has increased.

During this financial year, the Company has developed several new grades like, API-5L, Medium Carbon, High tensile – st 59 for automobile application and Micro-alloyed steels for wheel rim application.

Your Company has got ISO 14001 certification for Environment Management system, in the very first year of integrated operation, an important milestone. And now your Company is preparing for OHSAS 18001 (Occupational Health and Safety Assessment Series) certification. The Plant has achieved zero effluent discharge status and thereby has become one of the lowest specific water consuming Steel Plants.

Your plant is one of the Greenest Steel Plants in the country and the exercise to improve it further continues.

12. FOREIGN EXCHANGE EARNINGS AND OUTGO**i. Activities relating to exports and initiatives taken to increase export products and services and export plans :**

The year 2001-2002 was the most difficult fiscal year faced by the Indian Steel Industry. After slapping of anti-dumping duties by USA and Canada, the European Union also delayed in finalising the minimum flow price on imports into European community. In Mid 2001, USA again initiated safeguard investigations against all the countries of the world for steel imports and they finally announced their verdict some time early March 2002. EU – 15 and Canada also initiated provisional safeguard action against various countries for steel products. India was classified as a developing country by USA and exempted from safeguard action.

From later half of March 2002 spurt in the price of HR Coils as well as down stream items for which HR Coils are used is being witnessed. The improvement in price indicates the cyclic nature of steel business.

In the financial year 2001-2002, for HR Coils, the focus was mainly on domestic market and the Company exported 34,784 MTs to maintain presence in the international market. JVSL broadened its base from developed countries to countries such as Thailand, Bangladesh and Mauritius. In addition, exports were made to natural markets like Sri Lanka, Myanmar and Middle East.

Your Company also exported 2,51,840 Wet MTs of Iron Oxide Pellets to China. Your Company is established as an exporter for Pellets to China markets and hope to stabilise exports in fiscal year 2002-2003.

As per Business Plan 2002-03, it is planned to export over one hundred thousand tonnes of Hot Rolled Coils and one million tonnes of Pellets.

ii. Total Foreign Exchange used and earned :

During the period under review, your Company has earned Foreign Exchange of Rs. 6686.25 lacs. The details of foreign exchange expenditure incurred to the tune of Rs. 83020.80 lacs during the year are as under :

	Rs. in Lacs
1. Travelling	28.92
2. Payments to foreign suppliers	70,203.51
3. Interest and finance charges	9,988.90
4. Technical know-how	2,569.35
5. Other expenses	230.12
TOTAL	83,020.80

13. PARTICULARS OF EMPLOYEES

The Company has no employees whose salary exceeds the limits prescribed u/s. 217(2A) of the Companies Act, 1956. Hence information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 as amended with effect from April 17, 2002, has not been provided in this report.

14. THE CORPORATE GOVERNANCE CODE

The code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) is required to be implemented by your Company in terms of the Listing Agreements with the Stock Exchanges.

Pursuant to Clause 49 of the said Listing Agreement, (a) Management Discussion and Analysis, (b) the Report of the Directors on the practices

prevalent on Corporate Governance in the Company and (c) the Auditors' Certificate on compliance of mandatory requirements of Corporate Governance are given in the annexure to this report.

15. DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) your Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

- (iv) your Directors have prepared the annual accounts on a going concern basis.

16. ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their grateful appreciation for the cooperation and assistance received from the Central Government, the Government of Karnataka, the Financial Institutions, Banks as well as the Shareholders and Debenture holders during the year under review. Your Directors also wish to place on record their appreciation of the devoted and dedicated service rendered by all the employees of your Company.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30th May, 2002

P.R. JINDAL
Chairman

ANNEXURE TO DIRECTORS' REPORT

FORM A

(Disclosure of particulars with respect to Conservation of Energy)

A. POWER & FUEL CONSUMPTION

	Current Year (2001-02)	Previous Year (2000-01)
1. Electricity		
a) Purchased		
Unit (kwh) (Rs. in Lacs)	2,875.07	1,091.78
Total Amount (Rs. in Lacs)	7,935.2	2,589.78
Rate/Unit (Rs.)	2.76	2.37
b) Own Generation		
i) Through diesel generator		
Units (kwh) (Rs. in Lacs)	2.01	1.16641
Units per Ltr. of diesel	3.58	2.13
Cost/Unit (Rs.)	5.76	7.73
2. Coal + Coke		
Quantity (MT)	961121.99 MT of Coal	Under Trial Run
	130785.29 MT of Coke	- do -
Total Amount (Rs. in Lacs)	33717.01	- do -
Average Rate (Rs./MT)	3088	- do -
3. Furnace Oil		
Quantity (K. Ltrs.)	30.722 KL of HFO	945.9 KL of HFO
	3.403 KL of LDO	54.27 KL of LDO
Total Amount (Rs. in Lacs)	3.77	110.27
Average Rate (Rs./Ltrs.)	11.05	11.03
4. LPG		
Quantity (MT)	1,352.89	Under Trial Run
Total Amount (Rs.)	241.26	- do -
Average Rate (Rs./MT)	17833	- do -
5. Others/Internal generation (Please give details)		
Quantity (Water cu.m)	3331493	517620
Total Cost (Rs. in Lacs)	2.33	0.36
Rate/Unit (Rs./M ³)	0.07	0.07

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards (if any)	Current Year 1	Previous Year 2
Products (with Unit details)	HR Coils	HR Coils	HR Coils
Electricity (kwh/MT)	308.6	223.6	130.4
Furnace Oil (Litre/MT)	—	0.03	1.1
LPG (Kg/T)	1.3	1.2	Under Trial Run
Others (Specify)			
— Water (M ³ /T)	3.5	2.6	0.6

Norms are changed as Corex-01, BOF-CCP Shops are in Commercial Production since 1st April, 2001 and therefore actual consumption figures for the year are not comparable with that of the previous year.

LDO & HFO is lower compared to last year due to use of internally generated Corex gas.



MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is one of the leading manufacturers of Hot Rolled Coils in India. Slowdown in the world economy during the year 2001-02 has thrown up additional challenges to the beleaguered steel industry. While the industrial sector was under-performing, the tragic earthquake in Gujarat, 11th September, 2001 terrorist attack in USA, difficult conditions in the financial markets and tensions on the border further subdued the demand situation.

B. OUTLOOK - GLOBAL STEEL INDUSTRY:

The tough macro economic environment during the year 2001-02 had its adverse impact on Global Steel Industry as well. In the wake of a slowdown in the U.S. economy, increased export activity by CIS countries and Global overproduction, international prices continued to show declining trend throughout the year. In fact, international prices of hot-rolled coils touched historically low levels. Added to this, U.S. and Canada imposing antidumping levies against hot-rolled coils, made H.R. producers to divert their products more to domestic market adding further pressure on prices.

While domestic production of HR Coils remained stagnant during the year 2001-02, consumption witnessed marginal growth over the previous year. The surplus situation in flat products continued, while the demand for long products picked up during later half of the year. In keeping with the global trends, domestic prices further rolled down from the levels that were in the beginning of the year, though the domestic market was less volatile. However, during early part of the year 2002, consequent upon increase in international prices complemented by growth in domestic demand, there has been tangible signs of improvement in prices of HR Coils. It is expected that this rising trend will continue during subsequent months and the domestic prices may soon touch the levels of year 2000, thus giving badly needed flip to the Industry. The signs of revival in prices of Hot Rolled Coils is expected to be sustainable this time, particularly due to significant production cuts / closing down of unviable units worldwide, resurrection of demand in CIS countries and increasing demand in China.

However, Cost reduction will continue to remain the most critical factor determining the profitability of steel plants around the world.

C. OPPORTUNITIES & THREATS:

OPPORTUNITIES

- The Corex technology adopted by the Company is the technology of the 21st century with ample scope for improvements and cost reduction. While the industry is passing through a difficult phase of volatile market conditions, your Company is kept in good stead due to the technological advantages inherent in the Corex process.
- The concept adopted by the Company is to focus only on steel business by implementing the other activities in separate joint venture Companies, namely, Jindal Thermal Power Company Limited (Power Plant), Jindal Praxair Oxygen Company Private Limited (Oxygen Plant) and Vijayanagar Minerals Private Limited (Mining). These Companies can take up stand alone development and expansion plans which will add to the bottom line of your Company being a Joint Venture partner as these businesses they are engaged in are profitable.
- The fixed cost per tonne can be brought down substantially with capacity additions at marginal investment as the infrastructure created in the first phase is adequate to cater to substantial increase in steel capacity.

THREATS

- Under-performance of world economy and global recession are the threats which can depress the prices and the demand for steel.

This risk to a large extent is mitigated largely due to assured off-take from Group Companies and also the advantage of being the only flat steel producer in South India.

- As the Company is dependent upon import of coal for iron making, its availability and price and Rupee depreciation will adversely affect the cost of production and capacity utilisation. The Company has developed multiple sources for procurement of coal and therefore it is no more a limitation of availability. Besides, the Company is exploring possibilities of using indigenous coal. Any depreciation of the Rupee will benefit the Company as the Hot Rolled prices in the domestic market are linked to the landed cost of imports.
- The lenders to the Company may withdraw support as the cash generation at the current prices is not adequate to meet the entire commitments. The Company has therefore approached the lenders and undertaken a financial restructuring programme pro-actively to adjust the commitments to lenders matching with the cash flows in the low price scenario.
- Inadequate outlays on normal capital expenditure due to liquidity constraints may reduce the capacity of the plant to produce on consistent basis. Even in this regard the Company initiated steps to earmark a part of cash accruals for maintenance of the plant in good condition.

D. RISKS AND CONCERNS

- The cyclical nature of steel industry and volatile steel prices are areas of concern for which the Company's focus is to make cost of production internationally competitive and reduce interest cost by financial restructuring with a view to withstand during downturn.
- The protectionist measure initiated by other countries may close down the window for exports. However, the Company's focus is largely on the domestic market. The Company has a sizeable market share in South India being the only flat steel producer in that area and has assured off-take from Group Companies. This will insulate the Company from oversupply situation in domestic market.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to provide reasonable assurance that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly. The internal control system provides for well-documented policies, guidelines, authorizations and approval procedures. Management information system (MIS) is the backbone of your Company's control mechanism. Well-conceived annual planning and effective budgetary control ensures adequate control on all the expenditures of the Company.

The Company has implemented an integrated Enterprise Resource Planning Software "Oracle Financials 10.7" interfaced with other Modules of USIT, in its operations, which has inbuilt controls for authorization.

An extensive programme of Internal Audit by the Internal Audit department and periodic review by the Management further supplements the Company's internal control systems. In line with the international trend, planning and conduct of Internal Audit is oriented towards review of controls in the management of risks and opportunities in the Company's activities. In addition, the Company has engaged an external firm of Chartered Accountants viz., Price Waterhouse, Bangalore, to conduct Concurrent Audit / Pre-Audit which is focused on independently evaluating the adequacy of all internal controls, ensuring adherence to operating guidelines and regulatory and legal requirements and proactively recommending improvements in operational processes and service quality. The Internal Auditors and Concurrent Auditors report significant audit observations, periodically at regular intervals to the Audit Committee

that comprises of five independent Directors. The Committee met regularly during the financial year and reviewed audit observations and followed up implementation of corrective actions. The Audit Committee also met the Company's Statutory Auditors to ascertain their views on the adequacy of Internal Control systems in the Company.

F. FINANCIAL PERFORMANCE :

JVSL is one of the few Companies still showing significant positive earnings before interest, tax and depreciation (EBITDA). As the interest cost is very high and the cash accruals are not adequate to meet the interest costs fully during the period of downturn, the Company has initiated a financial restructuring programme which inter alia includes conversion of part of the existing equity into 0.0001% preference shares and converting corresponding amount by the lenders from debt into equity at par and reduction in interest rates. While all efforts are being made to improve productivity and gross profit margins, the lenders have been approached for certain modifications to the restructuring package so as to enable the Company to stay competitive even if the prices continue to be depressed during the entire tenure of the term loans.

During the year your Company started its fully integrated operations with the commissioning of Corex-02 and other units. The Company achieved growth over previous year in HR Coils production (1.27 Million MT) by 49% and in sales (1.28 Million MT) by 47% countering the general trend of the Steel Industry. Your Company could successfully demonstrate the achievement of rated capacity in almost all the production units and is in the process of stabilisation of various production facilities which are under trial production. While there was high growth in the domestic sales, direct exports by the Company declined. Domestic sale price dropped sharply by 15% compared to previous year and was at the lowest ever. However, during the year there was spurt in demand for Continuous Cast Bloom and Billets market and your company could sell around 1,37,000 MTs to cater to this segment. The Company has also exported 34,784 MTs of H.R. Coils and 2,51,840 MTs of pellets during the financial year 2001-02.

The Company initiated several cost improvement measures across the spectrum of operations, which have resulted in reduction of production cost by around 13% over the previous year. Your Company will continue the process of cost reduction and moving up the value chain with an improved product-mix, which will help reduce some of the downturns of steel business cycles.

As the Company is engaged only in manufacture of Iron and Steel related products, providing segment-wise information is not relevant.

G. INDUSTRIAL RELATIONS & HUMAN RESOURCE MANAGEMENT :

Like any high performance organization, your company firmly believes that success of the company comes from good Human Resources.

Employees are considered as important assets and key to its success. HRD always strives for sourcing and developing high calibre employees providing them relevant training for enhancement of their competence and facilitating their assessment process through an effective Performance Management System (PMS). Company aims to remain lean and dynamic in a continuing de-layered structure.

Your Company believes in promoting a culture of meritocracy through an approach of performance-linked pay and rewards. PMS starts with tasks & targets of Top management team drawn from the Business Plan finalized at the beginning of the year. The said tasks & targets then percolate down to middle and lower level management cadres. Management by Objectives (MBO) approach is followed for establishing individual accountability. Performance reviews are carried out during each quarter and deviations are brought to notice so that corrective action could be taken.

Training and Development initiatives aim at bridging the gap between existing skills and desired skills of the employees in line with organizational needs. Extensive training inputs aim at building up competence and commitment of employees through understanding and utilizing new technology, hands on job training, inter-functional knowledge, furtherance of safety awareness and training in behavioural areas etc. To summarize, at JVSL our HR objective is to create an enabling atmosphere where everyone will be able to deliver his best and get suitably recognized.

Employee relations continued to be satisfactory. The number of persons directly employed by the company was 1735 as on 31st March, 2002.

H. CAUTIONARY STATEMENT :

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand-supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw materials cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.