better steel through better technology

KALYANI STEELS LIMITED 27TH ANNUAL REPORT 2000

KALYANI Kalyani Steels

BOARD OF DIRECTORS

[illegible]

[illegible]

Mr. A. S. Kapre
ICICI Nominee

Mr. K. G. Vassal
UTI Nominee

Mr. B. B. Hattarki
Joint Managing Director

Mr. C. G. Patankar
Executive Director

[illegible]
Bank of Baroda
[illegible]
Union Bank of India
HDFC Bank Ltd.

REGISTRARS & TRANSFER AGENTS
MCS Limited
116, Akshay Complex
Off Dhole Patil Road
Near Ganesh Mandir
Pune-411 001.

REGISTERED OFFICE
Mundhwa, Pune-411 036.
Phone : 91-020-6870806, 6870435
Fax : 91-020-6871808
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WORKS
Hospet Road, Ginigera
Tal. & Dist. Koppal
Karnataka-583 228.

Kalyani Steels

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27TH ANNUAL GENERAL MEETING

Day	:	Tuesday
Date	:	25th July, 2000
Time	:	10.30 a.m. (IST)
Place	:	Training Centre, Bharat Forge Limited, Mundhwa, Pune 411 036.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their Twenty Seventh Annual Report on the business and operations of your Company and the Audited Accounts for the year ended 31st March , 2000.

1. **The year in retrospect :**

The year under review marked a revival in the economy from the recessionary trends prevailing in the last few years. The end users of your Company's products, viz. the Automobile, Seamless Tubes and Forging manufacturers showed improved performance. This resulted in an increase in the demand for your Company's products. Members will recollect that this was the first full year of operations of your Company's Carbon and Alloy Steel Plant under the Mini Blast Furnace route at Ginigera, in the State of Karnataka and the performance has been commendable. Members are aware that the Ginigera Plant is an outcome of a strategic alliance between your Company and Mukand Limited, whereby the production facilities at the integrated plant are being shared in a pre-determined ratio. Bulk of the sales during the year were made to the Seamless Tubes Industry. The Rolling Mill of your Company is under trial runs and during the year, your Company has been successful in getting process and quality parameter approvals from the leading automobile and forging manufacturers. The commercial terms negotiations are in progress and your Company has already started getting orders from these segments. The Directors anticipate a sizable increase and shift to the business of value added Rolled Products in the coming years, in addition to the existing supplies of As Cast Blooms.

The low cost of production is one of the prominent features of the integrated plant which has already rated your Company as one of the lowest cost manufacturers of steel in India. This will go a long way in getting a good market share in the coming years and even gives an edge to your Company's Products to compete in the international markets. The Directors thus look at the future with optimism.

Your Company achieved a turnover of 52,545 tonnes aggregating Rs.987 Million for the year, including 41,001 tonnes of As Cast Blooms aggregating Rs.741 Million and 11,544 tonnes of Rolled Products aggregating Rs.246 Million. This resulted in a profit of Rs.102 Million. Members are aware that your Company's Mundhwa undertaking was transferred and assigned to the Joint Venture Company viz. Kalyani Carpenter Special Steels Limited (KCSSL) on 1st April, 1999. KCSSL registered a turnover of 84,438 tonnes aggregating Rs. 2302 Million and a profit before tax of Rs. 200 Million. Thus both the steel manufacturing units put together recorded a turnover of 136,973 tonnes aggregating Rs. 3291 million, which is a satisfying performance.

2. **Financial highlights :**

(Rs. Million)

	1999-2000	1998-1999
Total Income	**890.630**	2267.088
Gross Profit	**114.340**	174.992
Profit after providing depreciation	**102.686**	92.171
Extra-ordinary items*	**111.897**	—
Provision of Taxation	**0.175**	10.100
Profit after taxation and Extra-ordinary items	**214.408**	82.071
Provision for future loss in the value of Investments (Net) (on merger of Kalyani Seamless Tubes Limited with The Indian Seamless Metal Tubes Limited)	**205.975**	—
Net Profit	**8.433**	82.071
Profit available for appropriation	**61.835**	237.621
Transfer to Debenture Redemption Reserve	—	130.000
Proposed Dividend		
- On Preference Capital	**17.826**	18.743
- On Equity Capital	—	30.053

* Extra-ordinary Items include surplus on transfer of Mundhwa Plant to Kalyani Carpenter Special Steels Limited and surplus on transfer of Assets to Kalyani Seamless Tubes Limited (KSTL), net of waiver of earlier years' income , on its merger with The Indian Seamless Metal Tubes Limited (ISMTL).

3. **Dividend :**

In order to conserve the resources and consolidate the financial position, your Directors have decided to plough back the profits of the current financial year. As a result your Directors do not recommend any Dividend on Equity Shares for the year ended 31st March, 2000.

Your Directors recommend a Dividend of Rs.17.826 Million for the year ended 31st March, 2000 on the Cumulative Redeemable Preference Shares issued by the Company.

4. **Merger of Kalyani Seamless Tubes Limited :**

Your Directors are pleased to inform the merger of Kalyani Seamless Tubes Limited (KSTL), a Company promoted by your Company, with The Indian Seamless Metal Tubes Limited (ISMTL) on 24 April, 2000. Your Company will be receiving substantial amount from ISMTL towards dues receivable by your Company from KSTL. The Directors propose to pre-pay the long term loans of the Company due for the next two years, out of the amount to be received on the merger. This will result in considerable reduction in the interest cost for the years to come.

5. **Fixed Deposits :**

As on 31st March, 2000, deposits aggregating Rs.1,403,000/- (155 depositors) remained unclaimed. Subsequently, Deposits aggregating Rs.219,000/- (24 depositors) were claimed, paid / renewed.

6. **Directors :**

Mr.B.N. Kalyani, Chairman and Wholetime Director relinquished the charge as Wholetime Director of the Company with effect from 27th July, 1999. The Board puts on record its sincere appreciation of the valuable contributions made by Mr.B.N. Kalyani, as Wholetime Director of the Company in bringing the Company to its present status and establishing excellent relations with customers, suppliers, government authorities and employees towards the growth and improvement in the working of the Company.

Mr.C.G. Patankar was co-opted on the Board with effect from 27th July, 1999 as an Additional Director and from the same date he was also appointed as Executive Director.

Mr.B.N. Kalyani and Mr.B.B. Hattarki, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment.

7. **Auditors :**

You are requested to appoint the Auditors of the Company for the Current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

8. **Subsidiaries :**

Kalyani Carpenter Special Steels Limited, a Joint Venture Company promoted by the Company in terms of Joint Venture with Carpenter Technology Corporation, USA for manufacture of high value added speciality steels, became a subsidiary of the Company with effect from 18th March, 2000 on acquisition of 74% of its share capital by the Company from its wholly owned subsidiaries.

The Statement, pursuant to Section 212 of the Companies Act, 1956, relating to Kalyani Carpenter Special Steels Limited, subsidiary of the Company and relating to Chakrapani Investments & Trades Limited, Surajmukhi Investment & Finance Limited and Gladiolla Investments Limited, wholly owned subsidiaries of the Company, is attached to the Accounts of the Company.

9. **Particulars of employees :**

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of said Annexure may write to the Company Secretary at the Registered Office of the Company.

10. **Conservation of energy, technology absorption and foreign currency exchange earnings & outgo :**

The information required under the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Report is also annexed hereto.

11. **Quality and Safety :**

The Company continued to give utmost attention to quality, safety, training, development, health and environment during the year. Safety measures have been given high priority and regular in-house training programmes are being conducted for promoting effective safety awareness amongst all the employees.

12. **Employees :**

The Management appreciates the contribution of the employees at all levels. The relations with labour remained cordial throughout the year.

Your Directors would like to place on record their appreciation of the co-operation received from the Central Government and the Government of Maharashtra, Government of Karnataka, Karnataka Industrial Area Development Board, M.S.E.B., M.I.D.C., Financial Institutions and the Bankers.

For and on behalf of the Board of Directors

Place : Pune
Date : 24th May, 2000.

B.N. Kalyani
Chairman

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2000.

I. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :

Energy Conservation measures taken in 40 TPH oil fired Reheating Furnace

- Reducing number of burners to 18 from 25.
- Reducing oxygen content in combustion air to 2.50% from 5.60%.
- Limiting excess air to 12.50% from earlier 25.50%.
- Downgrading the capacity of soaking (High heat) zone burners to 60 lit./hr. from earlier 100 lit/hr.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- Replacing the compressor motor with a lower capacity motor.
- To put an online oxygen analyser to monitor excess air in the furnace.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- Specific fuel consumption expected to come down to 43 lits/ton against 52 lits/ton at present.
- Specific power consumption expected to come down by 10 KWH/TON.

d) Total energy consumption and energy consumption per unit of production as per Form- A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

	1999-2000	1998-1999*
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (KWH in thousands)	**3,459**	75,622
Total amount (Rs. In Million)	**13.229**	287.550
Rate / KWH (Rs.)	**3.824**	3.802
b) Own generation	**N.A.**	N.A.
I) Through Diesel Generator		
Unit	—	—
Units per Ltr. Of Diesel oil Cost / Unit	—	—
II) Through Steam Turbine / Generator Unit		
Units per Ltr. Of Fuel Oil / Gas	—	—
Cost / Unit	—	—
2. Coal :		
Quantity (Tonnes)	—	—
Total Cost	—	—
Average Rate	—	—
3. Furnace Oil / HSD		
Quantity (K. Ltrs.)	**2,443**	4,733
Total Amount (Rs. In Million)	**18.961**	28.580
Average Rate / K. Ltr. (Rs.)	**7,760**	6,038
4. Others :		
LDO		
Quantity (K. Ltrs.)	—	2,936
Total cost (Rs. In Million)	—	23.591
Rate / K. Ltrs. (Rs.)	—	8,035

B) Consumption per unit of production :

	Unit	1999-2000	1998-1999*
Product (Carbon and Alloy Steel Rolled Products /Mild Steel / Carbon / Alloy Steel Ingots / Billets)	M.T.	**23,593**	77,876
Electricity	KWH	**91**	971
Furnace Oil / HSD	K. Ltrs.	**0.063**	0.061
Coal	M.T.	—	—
LDO	K. Ltrs.	—	0.038

* figures for the year 1998-1999 are relating to Company's erstwhile Mundhwa Plant and hence not comparable with the current year's figures.

II. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules

1. Research & Development (R & D) :

a) Specific area in which R & D carried out by the Company :

Development of new sections for the mill.

b) Benefits derived as a result of the above R & D :

Development of 75 mm square, 80 & 83 mm round sections will lead to business opportunities to roll and market these sizes, for which there is a huge demand.

c) Future plan of action :

Development of sizes 110 mm round and 63 mm square, as sizable quantities in these sections can easily be marketed.

d) Expenditure on R & D :

		Rs. 1999-2000	Rs. 1998-1999
(i)	Capital	—	—
(ii)	Recurring	**221,016**	888,884
(iii)	Total	**221,016**	888,884
(iv)	Total R&D expenditure as a percentage of total turnover	**0.02**	0.04

2. Technology absorption, adoption and innovation :

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

Technology developed in house and through extensive trials.

b) Benefits derived as a result of the above efforts, for product improvement, cost reduction, product development, import substitution etc. :

Successfully rolled and marketed all the sizes, that was planned in the first year of operation.

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :

No technology was imported during the last five years.

III. FOREIGN EXCHANGE EARNINGS & OUT GO :

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :
The Company's efforts to penetrate the export markets continue. Concerted efforts are underway to develop export markets.

b) Total foreign exchange used and earned :

	(Rs. In Million)
Used : 222.257	Earned : —

For and on behalf of the Board of Directors

Place : Pune
Date : 24th May, 2000.

B.N. Kalyani
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of KALYANI STEELS LIMITED, as at 31st March, 2000 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and Report as under :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said order;

2. Further to our comments, in the annexure referred to in paragraph 1 above we report that :-

   We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   In our opinion, proper Books of Account as required by Law have been kept by the Company so far as appears from our examination of the books of the Company;

   The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;

   In our opinion, the Profit & Loss Account and the Balance Sheet comply with the accounting standards, referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.

   In our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and read together with other relevant notes present a true and fair view:-

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and

   (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

ANISH AMIN
Partner

Mumbai
26th May, 2000.