28TH ANNUAL REPORT 2000-2001

KALYANI STEELS LIMITED

Kalyani Steels

BOARD OF DIRECTORS

Mr. B. N. Kalyani
Chairman

Mr. S. S. Hiremath

Mr. S. M. Kheny

Mr. A. S. Kapre
ICICI Nominee

Mr. Ajit Prasad
UTI Nominee

Mr. B. B. Hattarki
Joint Managing Director

Mr. C. G. Patankar
Executive Director

AUDITORS
Dalal & Shah
Chartered Accountants
49-55, Bombay Samachar Marg
Fort, Mumbai-400 023

BANKERS
Bank of Baroda
Union Bank of India
Canara Bank
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
E-mail : ksl@pune.kalyanisteels.com

WORKS
Hospet Road, Ginigera
Tal. & Dist. Koppal
Karnataka-583 228.

Kalyani Steels

CONTENTS

28TH ANNUAL GENERAL MEETING

Day	:	Monday
Date	:	30th July, 2001
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 Eighth Annual Report on the business and operations of your Company and the Audited Accounts for the year ended 31st March, 2001.

1. The year in retrospect :

The year 2000-01 has been a very difficult year for Indian Industry and particularly for the manufacturing sector. The steel industry which is in the core sector, has been severely affected on account of lower demand, caused due to a slowdown in the Indian Economy. Several companies have been adversely affected and performance has shown a distinctly downward trend. Your Company's working has been similarly impacted. However, the several initiatives that your Company took during the year in terms of cost reduction, manpower rationalization, improving operational efficiency etc. have enabled your Company to stay afloat and turn in a reasonable financial performance.

Members will recollect that this was the second full year of operations of your Company's Carbon and Alloy Steel Plant under the Mini Blast Furnace route at Ginigera. Members are also aware of the strategic alliance between your Company and Mukand Limited, whereby the production facilities at the integrated plant are being shared in a pre-determined ratio. The Rolling Mill of your Company has commenced commercial production with effect from 1st January, 2001 and your Company has obtained the process and quality approvals from the leading OEMs and forging manufacturers. Your Company has successfully been able to meet stringent quality requirements of its customers and have begun supplies which are meeting its customer's expectations. Your Directors are therefore optimistic that demand for your Company's product will lead to an improved order book resulting in consolidating your Company's market position and enhancing market share.

Your Company achieved a turnover of 79,851 tonnes aggregating Rs.1470.932 Million for the year, including 56,591 tonnes of As Cast Blooms aggregating Rs.980.984 Million and 23,260 tonnes of Rolled Products aggregating Rs.489.948 Million and earned a profit of Rs.15.399 Million.

2. Financial highlights :

(Rs. Million)

	2000-2001	1999-2000
Total Income	**1556.010**	890.630
Gross Profit	**29.002**	114.340
Profit after providing depreciation	**15.399**	102.686
Extra-ordinary item (Surplus on Transfer of Mundhwa Plant)	—	111.897
Provision of Taxation	**1.375**	0.175
Profit after taxation and Extra-ordinary item	**14.024**	214.408
Provision for future loss in the value of Investments (Net)	—	205.975
Net Profit	**14.024**	8.433
Transfer from Debenture Redemption Reserve	**85.000**	—
Profit available for appropriation	**142.002**	61.835
Transfer to Debenture Redemption Reserve	**50.000**	—
Proposed Dividend		
- On preference Capital	**17.800**	17.826

3. Financial Restructuring :

The Company has carried out a major restructuring exercise whereby its financial assets were reduced by Rs.960 Million. Proceeds of disinvestments were utilized for reduction in long term debts of the Company, resulting in considerable reduction in the interest cost for the years to come.

4. Dividend :

Your Directors have decided to consolidate your Company's finances for the current financial year. As a result, your Directors do not recommend any Dividend on Equity Shares for the year ended 31st March, 2001.

Your Directors recommend a Dividend of Rs.17.800 Million for the year ended 31st March, 2001 on the Cumulative Redeemable Preference Shares issued by the Company.

5. **Fixed Deposits :**

As on 31st March, 2001, deposits aggregating Rs.1,370,000/- (167 depositors) remained unclaimed. Subsequently, Deposits aggregating Rs.896,000/- (95 depositors) were claimed, paid / renewed.

6. **Directors :**

Mr.K.G. Vassal, Nominee Director of Unit Trust of India, has ceased to be a Director of the Company with effect from 27th July, 2000 and Mr.Ajeet Prasad was appointed as Nominee Director in his place.

Mr.V.G. Yennemadi, Director of the Company resigned with effect from 21st March, 2001. The board puts on record their appreciation of the valuable guidance given by Mr.K.G. Vassal and Mr.V.G. Yennemadi, during their tenure as Directors of the Company.

Mr.S.S. Hiremath and Mr.S.M. Kheny, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment.

7. **Directors' Responsibility Statement :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

i. That in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 of the Company for the year under review;

iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2001 on a going concern basis.

8. **Formation of the Audit Committee :**

The Board of Directors of your Company has formed the Audit Committee consisting of four Directors viz. Mr.B.N. Kalyani, Mr.Ajeet Prasad, Mr.A.S. Kapre and Mr.S.M. Kheny. The first meeting of the Committee was held on 28th May, 2001.

9. **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.

10. **Subsidiaries :**

Kalyani Carpenter Special Steels Limited, ceased to be a subsidiary of the Company with effect from 31st March, 2001. The Statement, pursuant to Section 212 of the Companies Act, 1956, relating to Chakrapani Investments & Trades Ltd., Surajmukhi Investment & Finance Ltd. and Gladiolla Investments Ltd., wholly owned subsidiaries of the Company is attached to the Accounts of the Company.

11. **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.

12. **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 annexed hereto.

13. Quality and Safety :

The Company continued to give utmost attention to quality, safety, training, development, health and environment during the year.

14. 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, 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 : 28th May, 2001.

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, 2001

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 14 from 18 presently in use.
- Reducing oxygen content in combustion air to 2.25% from 2.50%.
- Limiting excess air to 12% maximum from earlier 12.50%.

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 reduce number of pumps to one from two for furnace skid cooling water to the existing inlet & outlet water connection to the furnace skid cooling pipes.

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

- Reduction of around 2 Lits/T in specific fuel consumption.
- Reduction of 5 Khw/T in specific power consumption.

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 :

	2000-2001	1999-2000
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (KWH in thousands)	**3,468**	3,459
Total amount (Rs. in Million)	**12.847**	13.229
Rate / KWH (Rs.)	**3.704**	3.824
b) Own generation	**N.A.**	N.A.
I) Through Diesel Generator		
Unit	—	—
Unit per Ltr. Of Diesel oil	—	—
Cost / Unit	—	—
II) Through Steam Turbine / Generator	—	—
Unit	—	—
Unit per Ltr. Of Fuel Oil / Gas	—	—
Cost / Unit	—	—
2. Coal :		
Quantity (Tonnes)	—	—
Total Cost	—	—
Average Rate	—	—
3. Furnace Oil / HSD		
Quantity (K. Ltrs.)	**2,003**	2,443
Total Amount (Rs. in Million)	**20.749**	18.961
Average Rate / K. Ltr. (Rs.)	**10,360**	7,760
4. Others :		
LDO		
Quantity (K. Ltrs.)	—	—
Total cost (Rs. in Million)	—	—
Rate / K. Ltrs. (Rs.)	—	—

B) Consumption per unit of production :

	Unit	2000-2001	1999-2000
Product			
(Carbon and Alloy Steel Rolled Products /Mild Steel / Carbon / Alloy Steel Ingots / Billets)	M.T.	**30,812**	23,593
Electricity	KWH	**112.550**	91.000
Furnace Oil / HSD	K. Ltrs.	**0.065**	0.063
Coal	M.T.	—	—
LDO	K. Ltrs.	—	—

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 flat 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.

c) Future plan of action :

Development of sizes 180 x 180 mm square sections.

d) Expenditure on R & D :

	Rs. 2000-2001	Rs. 1999 -2000
(i) Capital	—	—
(ii) Recurring	**254,160**	221,016
(iii) Total	**254,160**	221,016
(iv) Total R&D expenditure as a percentage of total turnover	**0.02**	0.02

2. Technology absorption, adaption 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.

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 :

Concerted efforts are underway to develop export market.

b) Total foreign exchange used and earned :

(Rs. in Million)

Used : 193.227 | Earned : 10.102

For and on behalf of the Board of Directors

Place : Pune
Date : 28th May, 2001.

B.N. Kalyani
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of KALYANI STEELS LIMITED, as at 31 st March, 2001 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 I 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 and 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.

On the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion, and to the best of our information and according to the explanations given to us, the accounts read with Note No.15 relating to the Change in the method of recognizing the liability for Privilege Leave Entitlements which does not have a material impact on the profit for the year read together 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, 2001 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

Mumbai
29th May, 2001.

ANISH AMIN
Partner