



KALYANI STEELS LIMITED



BOARD OF DIRECTORS

Mr. B. N. Kalyani
Chairman

Mr S. S. Hiremath

Mr. S. M. Kheny

Mr. B. B. Hattarki

Mr. Ajest Prasad
UTI Nominee

Mr. C. G. Patankar
Executive Director

AUDITORS

Datta & Shah

Chartered Accountants

45-46, Ganeshy Sahasrhar Marg
Fort, Mumbai-400 023

BANKERS

Bank of Baroda

Union Bank of India

Canara Bank

HDFC Bank Limited

REGISTRAR & TRANSFER AGENTS

MCS Limited

116, Akshay Complex

Off Dhule Patil Road

Near Ganesh Mandir

Pune-411001

REGISTERED OFFICE

Mundhwa, Pune-411 036.

Phone : 91-020-6670808, 6670435

Fax : 91-020-6671738, 6671808

E-mail : ksi@pune.kalyanleeds.com

WORKS

Hoopet Road, Ginigera

Tal. & Dist. Koppal

Karnataka-583 228

Report



Junction

CONTENTS

Notice

Management Discussion and Analysis

Corporate Governance

Shareholder Information

Directors' Report

Auditors' Report

Balance Sheet

Profit & Loss A/c

Schedules forming part of the
Balance Sheet & Profit & Loss A/c

Notes forming part of the Accounts

Balance Sheet Abstract & Company's
General Business Profile

Cash Flow Statement

Statement pursuant to Section 212 of the
Companies Act, 1956 related
to Subsidiary Companies

Consolidated Financial Statements

Accounts of the Subsidiary Companies :
Chakrapani Investments & Trades Limited
Surajmukhi Investment & Finance Limited
Gladiolla Investments Limited

30TH ANNUAL GENERAL MEETING

Day : Wednesday
Date : 30th July, 2003
Time : 10.30 a.m. (I.S.T.)
Place : Training Centre,
Bharat Forge Limited,
Mundhwa,
Pune 411 036



30th Annual Report 2002-2003

NOTICE

NOTICE is hereby given that the THIRTIETH Annual General Meeting of the Members of Kalyani Steels Limited will be held at the Training Centre of Bharat Forge Limited at Mundhwa, Pune - 411 036 on Wednesday, the 30th day of July, 2003 at 10.30 a.m. (I.S.T) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended 31st March, 2003 and the Reports of the Directors and of the Auditors.
2. To declare a Dividend on Preference Shares.
3. To appoint a Director in place of Mr.S.S. Hiremath, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.S.M. Kheny, who retires by rotation, but being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT THE COMPANY'S AUDITORS, M/S DALAL & SHAH, CHARTERED ACCOUNTANTS, MUMBAI, BE AND ARE HEREBY RE-APPOINTED AS AUDITORS OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX THEIR REMUNERATION FOR THE PERIOD."

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED UNDER SECTION 293(1)(a) AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956 TO THE BOARD OF DIRECTORS OF THE COMPANY (HEREINAFTER CALLED "THE BOARD" WHICH TERM SHALL ALSO INCLUDE FINANCE COMMITTEE OF DIRECTORS) FOR MORTGAGING,

HYPOTHECATING, CHARGING AND PLEDGING AND/OR CREATING A FLOATING CHARGE AND/OR LIENS, CHARGES OR OTHER ENCUMBRANCES OF WHATSOEVER NATURE, ON ALL OR ANY OF THE COMPANY'S ASSETS AND PROPERTIES WHETHER IMMOVEABLE, MOVEABLE, CURRENT ASSETS OR STOCK-IN-TRADE (INCLUDING RAW MATERIALS, STORES, SPARE PARTS AND COMPONENTS, IN STOCK OR IN TRANSIT) AND WORK-IN-PROCESS AND THE WHOLE OR SUBSTANTIALLY THE WHOLE OF ALL OR ANY OF THE UNDERTAKINGS OF THE COMPANY, WHERESOEVER SITUATE, PRESENT AND FUTURE, ON SUCH TERMS AND IN SUCH MANNER AS THE BOARD MAY THINK FIT AND PROPER, IN FAVOUR OF :

A) BANK OF INDIA (BOI) FOR FOREIGN CURRENCY TERM LOAN FACILITY OF USD 5 MILLION

B) BANK OF BARODA (BOB) FOR TERM LOAN FACILITY OF RS.85.1 MILLION

TO SECURE THE PRINCIPAL AMOUNT TOGETHER WITH INTEREST, COMPOUND INTEREST AND ALL COSTS, CHARGES AND EXPENSES AND ALL OTHER MONIES AS MAY BECOME DUE AND PAYABLE BY THE COMPANY IN THAT BEHALF AND TO VARY OR MODIFY EXISTING SECURITIES, FROM TIME TO TIME, IN SUCH MANNER AND IN SUCH FORM ON ALL OR ANY OF THE PROPERTIES OR PART OF ANY OF THE PROPERTIES AND THE UNDERTAKINGS OF THE COMPANY, BOTH PRESENT AND FUTURE, AS MAY BE DECIDED BY THE BOARD AND AS AGREED TO BY BOI AND / OR BOB.

FURTHER RESOLVED THAT THE BOARD BE AND IS HEREBY AUTHORISED TO SIGN AND EXECUTE SUCH DOCUMENTS AND TO DO ALL SUCH ACTS AND THINGS AS MAY BE NECESSARY FOR GIVING EFFECT TO THE ABOVE RESOLUTION."

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
31st May, 2003

MRS. D. R. PURANIK
COMPANY SECRETARY

**NOTES :**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item No. 6 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. Members who hold shares in dematerialised form are requested to bring their DP ID AND CLIENT ID numbers for easy identification of attendance at the meeting.
4. Members holding shares in dematerialised form are requested to intimate any change in their address, to their respective DPs and those holding shares in physical form are to intimate the above said change to the Registrar and Transfer Agents of the Company, at their address given below.
5. As per listing requirements of Stock Exchanges, the Register of Members and Share Transfer Books of the Company will remain closed from Monday, 21st July, 2003 to Wednesday, 30th July, 2003 (both days inclusive).
6. Those Members who have not encashed / received their Dividend Warrants for the Financial Years 1995-96, 1996-97, 1997-98 and 1998-99 may approach the Registrar and Transfer Agents of the Company, at their address given below, for revalidation of the Dividend Warrants / for obtaining duplicate Dividend Warrants.
7. Dividends which remain unencashed / unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the shareholders shall lie for the unclaimed dividend transferred by the Company to IEPF.
8. Equity shares of the Company are under compulsory demat trading by all investors. Those shareholders who have not dematerialised their shareholding are advised to dematerialise the same to avoid inconvenience in future.

Registrar & Transfer Agents
MCS LIMITED,
116, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Mandir, Pune - 411 001

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956

The following explanatory statement sets out, as required by Section 173 of the Companies Act, 1956, the material facts relating to Item No. 6 mentioned in the accompanying notice dated 31st May, 2003

ITEM NO. 6

The Company intends to avail / has availed Foreign Currency Term Loan of USD 5 Million from Bank of India (BOI) for general corporate purposes of the Company more specifically repayment of loans availed from other lenders and Term Loan of Rs.85.1 Million from Bank of Baroda (BOB) to finance capital expenditure requirements of the Company for setting up power project. The said loans are required to be secured by a hypothecation and / or mortgage charge on all the Fixed Assets, properties and undertakings of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia that the Board of Directors of the Company shall not without the consent of the Company, sell, lease, hypothecate, mortgage or otherwise dispose of the whole or substantially the whole of the undertakings of the Company. The resolution as set out at Item No.6 of the Notice is, therefore, proposed under Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, which the Directors recommend to the Members for approval.

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

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
31st May, 2003

MRS. D. R. PURANIK
COMPANY SECRETARY



30th Annual Report 2002-2003

MANAGEMENT DISCUSSION AND ANALYSIS

The Board takes pleasure in presenting your Company's Thirtieth Annual Report for the year 2002-2003 along with the compliance report on Corporate Governance. This chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

Industry Structure and Development :

The Indian Iron and Steel Industry is nearly a century old and at present India is the tenth largest producer of steel in the world. In India, a major part of steel is consumed in construction, followed by engineering applications and automobiles. The growth of steel industry, as is well known, is dependent upon the growth of the economy, industrial production and infrastructure sectors. Over the last few years the performance of the Indian Steel Industry has been adversely affected due to over capacity, cheap imports, economic slowdown, declining global steel prices and also anti dumping duty imposed by USA and European Union on Indian exports.

However, fiscal 2002-2003 showed some signs of recovery. Steel output in some of the countries was consciously brought down which not only reduced the pressure on price, but also partially restored the demand supply balance. Even on domestic front, the steel consumption seems to be picked up due to some of the big infrastructure projects and also due to better performance by automobile, white goods and engineering industries.

The domestic forging industry, the automobile industry and the seamless tube manufacturing industry, to which the Company supplies its products, have also shown signs of recovery and growth. If this trend gains momentum, the demand for your company's products will increase, resulting in better prospects for the Company in the current year.

Performance :

- A 46.18 % growth in turnover - Rs.3,609.316 million for the year ended 31st March, 2003 compared to Rs.2,469.110 million in the previous year.
- A 51.04 % growth in profit after taxation - Rs.56.182 million for the year ended 31st March, 2003 as compared to Rs.37.197 million in the previous year.

The Company has achieved turnover of Rs.3,609.316 million during the year, which includes trading turnover of Rs.955.265 million and manufacturing turnover of Rs.2,342.089 million. Trading turnover was primarily on account of buying and selling of coke. On manufacturing front, the Company sold 114,520 tonnes in domestic market, which comprises of sale of 48,321 tonnes of 'As Cast Blooms' aggregating to Rs.826.626 million and sale of 66,199 tonnes of 'Rolled Products' aggregating to Rs.1,515.463 million.

The concerted efforts taken by the Company to widen the customer base, increase market reach, along with change in the product mix i.e. increase in sale of 'As Rolled Products' as compared to sale of 'As Cast Products' has resulted in achieving the increased manufacturing turnover.

Export Performance :

The cost advantage of the company's plant also throws opportunities in the International Market. The company has been successful in exporting its products to various customers in Australia, Bahrain, Switzerland, Venezuela, and USA. The company exported 4,346 tonnes, during the year aggregating Rs.90.535 million. The efforts for enhancing the market base by adding new customers, are continuing.

Internal Control Systems and their adequacy :

The Company has well established internal control systems which provide reasonable assurance with regard to maintaining proper financial as well as cost accounting records, preserving economy and efficiency of operations, safeguarding assets against unauthorized use or losses and facilitating reliability of financial and operational information.

The internal control is supplemented by an extensive review by management auditors. Management audit is geared towards achieving efficiency in operations, optimum utilization of resources, effective monitoring and compliance with all applicable laws and regulations. Observations of the management auditors are regularly reviewed by the Audit Committee of Directors.

Human Resources :

Human Resources are the most valuable assets of the Company and the Company has put in place various systems to reward and recognize employee contribution towards the growth of the Company. Company is privileged to have a highly qualified and motivated manpower base.

Company encourages employees to go beyond the scope of their work, undertake voluntary projects that enable them to learn and contribute innovative ideas in meeting goals of the Company. Company follows a consistent policy of keeping channels of communication open with all employees and of taking them into confidence on all issues relating to them.

Opportunities, Threats and Future Outlook :

The growth of steel industry, is dependent upon the growth of the economy, industrial production and infrastructure sectors. If these factors show positive improvement, the demand for the company's products from various customer segments will consequently increase. We see this as an opportunity. However, if these factors do not improve to the extent that is expected, we may have to adjust to lower production and sales volumes. The Company is structured to do this and is already implementing severe cost reduction and efficiency improvement measures that will help us in strengthening the situation, if it were to arise.

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry - global or domestic or both, significant changes in political and economic environment in India, applicable statutes, litigations, labour relations and interest costs.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has prescribed a set of standards on Corporate Governance for the Listed Companies. The SEBI Code has been incorporated in the Listing Agreements with the Pune and Mumbai Stock Exchanges, with whom Equity Shares of the Company are listed. The Company has included a detailed compliance report on Corporate Governance in its Annual Report. This chapter of the report plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitute such a compliance report on Corporate Governance during 2002-2003.

1. BOARD LEVEL ISSUES

COMPOSITION OF THE BOARD :

The Board of Directors of the Company comprises the Chairman, who is Promoter Non-Executive Director, one Executive Director, one Nominee Director and three Non-Executive Directors who are independent. Details are given in Table 1. Nominee Director of ICICI Limited, was withdrawn by them, from the Board of the Company w.e.f. 17th June, 2002.

NUMBER OF BOARD MEETINGS :

During the year, four Board Meetings were held. These were held on 28th May, 2002, 29th July, 2002, 29th October, 2002 and 31st January, 2003. All the meetings were held such that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

Table 1 : The composition of the Board, the category of Directors, their attendance record and the number of Directorships

Table - 1 - Details about Board of Directors of the Company						
Name of Director	Category	Number of meetings held	Number of meetings attended	Whether attended last AGM	Number of Directorships of public limited companies	Materially significant pecuniary or business relationship with the Company
B.N. Kalyani Chairman	Promoter Non-executive	4	4	Yes	15	None
S.S. Hiremath	Non-executive	4	4	Yes	1	None
S.M. Kheny	Non-executive	4	4	Yes	15	None
B.B. Hattarki	Non-executive	4	4	Yes	10	None
A.S. Kapre* ICICI Nominee	Non-executive Nominee	4	1	N.A.	N.A.	None
Ajeet Prasad UTI Nominee	Non-executive Nominee	4	4	Yes	8	None
C.G. Patankar	Executive	4	4	Yes	11	N.A.

* Nomination withdrawn w.e.f. 17th June, 2002.

Notes :

None of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors, or a Chairman of more than five such Committees, as included for the purposes of Corporate Governance laid down by SEBI and Listing Agreement.



30th Annual Report 2002-2003

INFORMATION PLACED BEFORE THE BOARD :

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters which require deliberation at the highest level. Extensive information is provided on various critical items such as :

- Annual operating plans and budgets, capital budgets, updates.
- Sales and financial performance statistics.
- Quarterly results for the Company.
- Minutes of the meetings of audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level.
- Compliance of any regulatory, statutory nature or compliances relating to listing requirements and shareholders services.
- Details of any Joint Venture or Collaboration Agreements including amendments thereof.
- Share transfer and demat compliances.
- Status of shareholders / investors grievances.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2002-2003.

REMUNERATION OF DIRECTORS :

Table 2 : The details of the remuneration package of Directors and relationship, if any.

Name of the Director	Relationship with other directors	Sitting fees* (Rs.)	Salaries, Perquisites and Commission (Rs.)	Total (Rs.)
B. N. Kalyani	None	52,000	Nil	52,000
S.S. Hiremath	None	14,000	Nil	14,000
S.M. Kheny	None	24,000	Nil	24,000
B.B. Hattarki	None	62,000	Nil	62,000
A.S. Kapre	None	4,000 **	Nil	4,000
Ajeet Prasad	None	16,000	Nil	16,000
C.G. Patankar	None	NIL	3,497,901 ***	3,497,901

* Sitting fees include payment for board level committee meetings.

** From 1st April, 2002 to 17th June, 2002.

*** Includes Commission of Rs.1,000,000/- proposed and payable after the approval of accounts by shareholders in the Annual General Meeting.

Remuneration Committee was reconstituted during the year in view of the withdrawal of the Nominee Director of ICICI Limited. Reconstituted committee consists of three Directors Mr. Ajeet Prasad, UTI Nominee, as Chairman, Mr.S.S. Hiremath and Mr. S. M. Kheny. Meeting of the Remuneration Committee was held on 31st January, 2003, which was attended by all the members of the Committee.

None of the employees are related to any of the Directors of the Company.

AUDIT COMMITTEE :

Audit Committee was reconstituted during the year in view of the withdrawal of the Nominee Director of ICICI Limited. During the year Audit Committee met on 28th May, 2002, 29th October, 2002 and 31st January, 2003. As per the terms of reference prescribed by the Board, the Committee performs such duties and tasks as are assigned to it by the Board. The Committee has access to all records of the Company. The Committee reviews the reports of the management and statutory auditors, internal control systems etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges. Particulars relating to the constitution of and attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Number of Meetings held	Number of Meetings attended
Ajeet Prasad, UTI Nominee	3	3
B.N. Kalyani	3	3
* A.S. Kapre, ICICI Nominee	3	1
S.M. Kheny	3	3
**S.S. Hiremath	3	2

* Nomination withdrawn w.e.f. 17th June, 2002.

** Co-opted on the Committee w.e.f. 29th July, 2002.

2. MANAGEMENT**MANAGEMENT DISCUSSION AND ANALYSIS :**

This Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES BY MANAGEMENT TO THE BOARD :

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor they vote on such matters.

3. SHAREHOLDERS**DISCLOSURES REGARDING APPOINTMENT OR REAPPOINTMENT OF DIRECTORS :**

Mr.S.S. Hiremath and Mr.S.M. Kheny, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Their details are given below :

Mr.S.S. Hiremath, B.Sc., LL.B. born on 25th November, 1928. Mr. Hiremath also serves on the Board of Baramati Grape Industries Limited.

Mr.S.M. Kheny, is a Mechanical Engineer, born on 18th March, 1948. Mr. Kheny serves on the Board of Kalyani Ferrous Industries, Kalyani Engineering & Construction Company, Kalyani Highway Developers, Kalyani Infrastructure Projects, Kalyani Habitat, India International Infrastructure Engineers, Nandi Engineering, Nandi Highway Developers, Nandi Infrastructure Corridor Enterprises, Nandi Economic Corridor Enterprises, Nandi Infrastructure Capital Company, Hospet Steels, Hikal and Hospet Power.



30th Annual Report 2002-2003

COMMUNICATION TO SHAREHOLDERS :

Quarterly, half yearly, annual results and information relating to convening of Annual General Meeting is published in leading newspapers and is also notified to the Stock Exchanges as required under the listing agreements. In addition to this, the Company has also filed quarterly results, quarterly shareholding pattern etc. on the Electronic Data Information Filing and Retrieval (EDIFAR) website (www.sebi.edifar.nic.in) maintained by National Informatics Centre (NIC), online, in the manner, format and within such time as prescribed by SEBI.

Letters and Transfer Deeds received from shareholders are acted upon and replied promptly.

INVESTOR GRIEVANCES :

During the year 2002-2003, the Shareholders / Investors Grievance Committee met on 28th May, 2002, 29th July, 2002, 29th October, 2002 and 31st January, 2003. During the year 9 complaints were received from the investors, which were redressed. The status of complaints is also reported to the Board of Directors, as an agenda item. Mrs. D. R. Puranik, Company Secretary, is the Compliance Officer.

SHARE TRANSFER :

There is Share Transfer Committee of the Board which meets twice a month to look after share transfers, transmissions, consolidation, sub-division and issue of duplicate certificates and requests for dematerialisation / rematerialisation of Company's shares.

DETAILS OF NON-COMPLIANCE :

There have been no instances of non-compliance on any matter relating to the capital market during the period under report.

GENERAL BODY MEETINGS :

Particulars of Annual General Meetings (AGM) and Extraordinary General Meetings (EOGM) held for the last three years are given below :

Date	Time	Type	Venue
15th February, 2000	10.30 a.m.	(EOGM)	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
25th July, 2000	10.30 a.m.	(AGM)	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
28th February, 2001	10.30 a.m.	(EOGM)	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
30th July, 2001	10.30 a.m.	(AGM)	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
29th July, 2002	10.30 a.m.	(AGM)	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036