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29TH ANNUAL REPORT 1998-99

LLOYDS STEEL INDUSTRIES LIMITED

BOARD OF DIRECTORS

CHAIRMAN

MUKESH R. GUPTA

MANAGING DIRECTOR

RAJESH R. GUPTA

DIRECTORS

S.R. VENGSARKER

(NOMINEE - ICICI)

K.P. GUPTA

(NOMINEE - SICOM)

N.N. JOSHI

(NOMINEE - LIC)

R.JAYARAMAN IYER

(NOMINEE - IDBI)

B.L. AGARWAL

S. SAMARAPUNGAVAN

S. GOVINDARAJ

R. NARAYANAN

P.C. SONI

COMPANY SECRETARY

S.N.TIWARI

BANKERS

CENTRAL BANK OF INDIA

STATE BANK OF INDIA

STATE BANK OF HYDERABAD

CREDIT AGRICOLE INDOSUEZ

THE FEDERAL BANK LIMITED

PUNJAB NATIONAL BANK

STATE BANK OF TRAVANCORE

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LTD.

INDUSIND BANK LIMITED

BANK OF INDIA

THE BANK OF TOKYO MITSUBISHI LTD.

GLOBAL TRUST BANK LTD.

AUDITORS

LAKHANI & CO.

(CHARTERED ACCOUNTANTS)

LEGAL ADVISORS

KANGA & COMPANY

(SOLICITORS & ADVOCATES)

REGD. OFFICE & OPERATIONS- (STEEL & ENGG. DIVISION)

'LLOYDS HOUSE',

954, APPASAHEB MARATHE MARG

PRABHADEVI, MUMBAI - 400 025.

WORKS - STEEL DIVISION

LLOYDS NAGAR, BHUGAON LINK

ROAD, WARDHA - 442 001

WORKS - ENGG. DIVISION

PLOT NO.A-5/5, A-6/3,

M.I.D.C. INDUSTRIAL AREA,

MURBAD, DIST. THANE

REGIONAL OFFICES

CALCUTTA, HYDERABAD,

MUMBAI AND NEW DELHI.

REGISTRAR & TRANSFER AGENT

LLOYDS CAPITAL SERVICES LTD.,

'LLOYDS HOUSE',

954, APPASAHEB MARATHE MARG,

PRABHADEVI, MUMBAI- 400 025.

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NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the Members of Lloyds Steel Industries Limited will be held at Y.B.Chavan Auditorium, Y.B.Chavan Centre, Gen. J. Bhosale Marg, Near Sachivalaya Gymkhana, Mumbai - 400 021, on Friday, the 24th day of September, 1999 at 11.30 a.m. to transact the following business :-

ORDINARY BUSINESS :

1. To consider, approve and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 1999 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri B.L.Agarwal who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri S.Govindara who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri P.C.Soni who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit to pass, with or without modification the following resolution as an Ordinary Resolution.
"RESOLVED THAT Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as amended, Shri Rajesh R. Gupta be and is hereby re-appointed as Managing Director of the Company for a further period of 5(five) years with effect from 1st January 2000 and on the following terms and remuneration and perquisites in accordance with the conditions specified in the revised Schedule of the said Act :-

1. Salary

Rupees 35, 000/- per month including dearness and all other allowances.

2. Perquisites

Perquisites shall be allowed in addition to salary and the commission. Perquisites shall be restricted to an amount equal to the annual salary. Unless the context otherwise requires, perquisites, shall be classified into three categories 'A', 'B', 'C' as follows:

Category A

This will comprise House Rent Allowance, Leave Travel Concession, Medical Reimbursement, Fees of Clubs and Personal Accident Insurance. These may be provided for as under :

- i. Housing-
 - a. The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceilings : 60 percent of the Salary, over and above 10 percent payable to Shri Rajesh R. Gupta.
 - b. If the Company does not provide accommodation to Shri Rajesh R. Gupta, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.
 - c. If accommodation in the Company owned house is provided to Shri Rajesh R. Gupta, a deduction @ 10 percent shall be made from his salary

Explanation : The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of Shri Rajesh R. Gupta.

- ii. Medical Reimbursement-
Expenses incurred for the self and his family shall be reimbursed subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii. Leave Travel Concession-
For self and his family, once in a year in accordance with the rules of the company.
- iv. Club Fees-
Fees of clubs subject to a maximum of two clubs. No admission and life membership fees will be paid.
- v. Personal accident insurance-
Premium will be paid by the Company.

Note: For the purpose of Category A 'Family' means the spouse, the dependent children and/dependent parents of the appointee.

Category B

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income-Tax Act. Gratuity payable shall not exceed half month's salary for each completed year of service.
- ii. Earned leave will be provided on full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven month's of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

Provision of car with driver for use on company's business and telephone at residence will not be considered as perquisites.

3. Commission

Such remuneration by way of commission, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director, the Company, has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above.

Reimbursement of Expenses

Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred for the business of the Company.

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution.

'RESOLVED THAT, in pursuance of the Directives / Guidelines issued by the Securities and Exchange Board of India and the Stock Exchange(s) from time to time, the consent of the Company be and is hereby accorded to the voluntary delisting of the equity shares of the Company from The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited, Madras Stock Exchange Ltd. and The Stock Exchange – Ahmedabad.

RESOLVED FURTHER THAT any Director of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary and incidental for the aforesaid purpose."

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, the 11th day of September, 1999 to Friday, the 24th day of September, 1999 (both days inclusive).
4. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of meeting to enable the Management to keep full information ready.
5. Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the Share Certificate(s) to the Registrar & Transfer Agent, M/s. Lloyds Capital Services Limited for consolidation of all such Shareholdings into one account to facilitate better services.
6. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in regard to special business is annexed hereto.
7. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2nd Floor, Dattaram Lad Path, Kalachowkie, Mumbai-400 033.

EXPLANATORY STATEMENT - pursuant to Section 173(2) of the Companies Act, 1956**Item No. 6**

Shri Rajesh R. Gupta was appointed Managing Director w.e.f. 1st January 1995 for the period of 5 years. Now the term of the said contract is going to expire on 31st December, 1999. The approval of the shareholders is sought for his reappointment as Managing Director and payment of remuneration and perquisites to him as set out in Resolution No.6. The Board of Directors is of the opinion that the continuation of the services of Shri Rajesh R. Gupta as Managing Director is in the interest of the Company.

This alongwith Resolution No. 6 may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors commends passing of Resolution.

Mr. Mukesh R Gupta is related to Mr. Rajesh R Gupta and is to be regarded concerned or interested in the passing of this resolution. No other Director is concerned or interested in the resolution.

Item No. 7

The equity shares of the Company are listed on The Stock Exchange – Mumbai, The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited, The Stock Exchange – Ahmedabad, The Calcutta Stock Exchange Association Limited and The National Stock Exchange of India Limited.

It is proposed to de-list the shares from The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited, The Calcutta Stock Exchange Association Limited and The Stock Exchange – Ahmedabad since most of the trading in equity shares takes place on The Stock Exchange – Mumbai and The National Stock Exchange of India Limited. The low trading volumes on the other Stock Exchanges do not justify the continuance of listing on these Exchanges. Since the Company's equity shares are listed on The National Stock Exchange of India Limited, which has screen based trading terminals in most of the major cities in India, multiple listing, besides being expensive is unnecessary. Hence the Directors deem it appropriate to de-list the equity shares of the Company from the aforesaid Stock Exchanges at Delhi, Chennai, Calcutta and Ahmedabad.

The Directives / Guidelines issued by The Securities and Exchange Board of India and the Stock Exchange(s) require the prior approval of the holders of the securities which are sought to be de-listed by a Special Resolution passed at a General Meeting after giving the notice thereof in the prescribed manner. Accordingly, the Resolution at Item No. 7 of the Notice seeks to obtain the approval of the Members, for such de-listing.

The Resolution is commended for the approval of the Members. No Director is concerned or interested in the resolution.

By order of the Board

Place : Mumbai
Dated : 25th May, 1999

S.N. TIWARI
Company Secretary

DIRECTORS' REPORT

The Directors are pleased to present their Twenty Ninth Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL HIGHLIGHTS

Sales :

Other Income

Total Income :

Profit before Interest and Depreciation

Less : Finance Charges

Gross Profit /(Loss)

Add/Less Depreciation

Loss before Tax

Add : Tax Provision

Loss After Tax

Add/Less: Prior Period Expenses/
(Income)

Add : Capital Expenditure Written off

Less: Excess Provision for Depreciation
of earlier year Written back

Net Loss

Profit b/f from previous year

Less : Set off against General Reserve

Balance available for appropriation

Appropriations :

Debenture Redemption Reserve

Balance Carried Forward

Current Year 1998-99 (Rs.in Lacs)	Previous Year 1997-98 (Rs.in Lacs)
87652.89	126239.04
507.92	617.29
88160.81	126856.33
4614.61	13487.09
17774.20	13359.96
(13159.59)	127.13
6626.96	6110.78
19786.55	5983.65
3.25	3.50
19789.80	5987.15
1322.89	(101.74)
-	110.95
0.11	2154.19
21112.58	3842.17
1144.19	5206.36
19968.39	1364.19
15881.35	-
(4087.04)	1364.19
-	220.00
(4087.04)	1144.19
(4087.04)	1364.19

DIVIDEND

In view of the loss, the Directors have not recommended any Dividend for the year ended 31st March, 1999.

TOTAL INCOME & PROFITABILITY

The Total Income of the Company has shown a steep decrease to **Rs. 881.61 crores** from Rs. 1268.56 crores in the previous year. The PBID for the year under report shows decrease to **Rs. 46.14 crores** over the previous year's figure of Rs. 134.87 crores.

The continuing depressed market condition in the Steel Industry for the last couple of years caused by financial crunch in the market, slow movement of business, lack of demand, a general downturn in the user industries like automobiles, imports at cheap rates, sluggishness in all sectors of the economy and over and above that unstable political conditions, hampered all efforts at improvement in the market condition which resulted in lower realisations. The market competition further increased due to demand supply mismatch on account of increase in supply without corresponding growth in demand.

The worsening margins forced the Company to incur a Cash loss of **Rs. 131.60 crores** during the year compared with Rs.1.27 crores of cash profit during the preceding year. After providing depreciation of **Rs. 66.27 crores** (Previous year Rs. 61.11 crores) there is a Net Loss of **Rs. 197.90 crores** compared with a previous year loss of Rs. 59.87 crores.

OPERATIONS

Engineering Division

During the year under review, the Division has recorded a turnover of **Rs.136.67 crores** as compared to previous year of Rs.286.34 crores. The industrial sluggishness prevailing throughout the country is the main reason for this reduced turnover. Even the jobs under execution are also on hold.

The Division during the year has successfully commissioned major projects of Utilities and Offsite for ONGC at Gandhar and has completed major supplies for Defence Research and Development Organisations. The Division during the year bagged orders from prestigious clients such as Nirma, Punj Lloyd, Ispat and job to be executed for Saint Gobain Glass India Limited (Subsidiary of Saint Gobain France) under competitive bidding. Major equipment for the on-going projects have been delivered. SGS Yarsley ISC Limited, UK has accorded ISO-9001 status to the Murbad factory indicating High Quality standards.

The order position at the year end stands at **Rs. 282 crores**, as compared to Rs.212 crores in the previous year.

Steel Division

The effect of crisis in Far East and South East Asia continued in 1998-99. Throughout the year sales realisation continued to be at unremunerative levels due to cheap imported steel hitting Indian Shores. Worldwide there was a glut in the steel market as a result of which all major steel producing countries were shipping steel at ridiculously low prices. Asia has been a major importer of steel but the crisis in Far East and South East Asia directed the surplus steel into our country.

In the second half of the year, after a long meeting, the Government took certain steps such as anti dumping duty on HR products from CIS countries (excluding Kazakhstan) and floor price mechanism on various flat products was put into operation. This gave little respite to Indian flat steel products industry which resulted in rolling back of hefty discounts which the steel producers were forced to offer in the first three quarters of the current financial year. However, the overcapacity of HR coils in the domestic market and fierce competition amongst HR producers in India did not allow recovery of full cost.

The domestic demand for all steel products was stagnant. The demand for steel for infrastructure did not show any real sign of improvement despite the fact that infrastructure has been identified as a major engine of economic growth and announcements made by the Government from time to time in this respect.

The Cold Rolled and Galvanised Coils/Sheets production was **139769 MTs**, the Division has recorded Hot Rolled Coil production of **182565 MTs** during the year.

During the year Company's exports were **Rs.42.45 crores** as against Rs. 60.74 crores. Depression in the international demand for steel caused heavy pressure on the export selling prices and even volume took a beating due to reduced demand in Europe.

PROJECTS

Steel Division

The **Cold Rolling Mill - II (CRM-II)** project which had commenced trial runs during last year was in the process of stabilisation. Other equipments for the project are under various stages of installation.

In consultation with Financial Institutions the 80 MW Captive Power Project has been transferred to a separate company viz. Vidarbha Power Limited and henceforth this project will be implemented by the said Company.

RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

CURRENT YEAR OUTLOOK

Steel Division

The domestic demand scenario either will remain stagnant or may show marginal improvements, political instability will further add to the problem. World's steel prices have shown some signs of improvement and it is expected in a limited way this trend will continue into the second and third quarter also. This is encouraging and should lead to improvement in export volumes and realisation. Healthy export trend will keep the domestic market in good shape and will partly absorb excess production capacity. The company will focus on the exports of galvanised sheets during the year, besides continuing their focus on value added products.

Steps will be taken in a systematic and steady manner to improve the capacity utilisation which will help in earning more contribution and also in reducing the cost of production. The Government has to watch the state of steel industry carefully and protect it from external forces such as dumping in the vital interest of the Nation.

The Company has taken several steps to reduce the cost at all the levels by way of deduction in cost of conversion, manpower reduction and reduction in operational overheads etc. The Company is also installing 80 MW power project through a group company - Vidarbha Power Limited to control the power cost. This will make the Company's product cost effective.

Engineering Division

The industrial sluggishness caused due to lack of capital formation had a telling impact on division's functioning and the trend is continuing in the current year. Industrial revival expected during second half of the current year may give some relief.

MACRO ECONOMIC ENVIRONMENT

In 1998-99, all commodity products once again passed through a difficult patch. The international scenario was no different. During 1998-99 overall growth of domestic steel demand was around 3.4%. Growth in demand for flat steel products was 3%. Major contributory factors to such a sluggish growth were continuation of lower production levels in HCV industry, reduced level of construction and general economic slow down. In sharp contrast of sluggish domestic demand the domestic availability of steel was on rising trend. The export of steel in 1998-99 also showed a negative growth over 1997-98 caused due to over capacity situation in the world market. Asia, a major importer of steel in the past was still in the grips of recession set into place after the currency fall in late 1997. All these factors adversely affected an already strained demand-supply balance even further. The government took certain effective steps by way of announcements regarding anti dumping and floor price mechanism which will give a support to Indian Steel industry in long run. Since the beginning of year 1999, some positive signs are seen which if sustained will help in putting the Indian Steel industry back on rails, but the real investment in infrastructure will continue to be the key to revival of steel industry which is crumbling under heavy over capacity. Export of steel is need of the hour to achieve reasonable capacity utilisation, it is expected that mild upturn in international steel market visible in last couple of months will help in this direction. Continued support of the government in protecting the interest of the steel industry will be required to avoid the circumstances which led to such a deterioration in health of Indian Steel industry in mid and late nineties.

DEMATERIALISATION OF SHARES

As a regulatory support to shift the market from physical form to electronic form, The Securities and Exchange Board of India (SEBI) has mandated that for institutional investors, settlement of transactions would compulsorily be in electronic form for select list of securities. The shares of your Company were brought within this purview with effect from 15th February, 1999. The Company has entered into necessary agreements with National Securities Depository Limited (NSDL) and the Depository Registrar to facilitate the trading in shares in dematerialised form. The equity shares of the Company become available for dematerialisation from December, 1998.

INVESTOR SERVICES

The Company and its Registrars M/s. Lloyds Capital Services Limited endeavoured their best to service the investor satisfactorily.

EMPLOYEE RELATIONS

Employee/Industrial relations at all units and job sites remained cordial during the year under review. Continuous steps were taken by the Company for training its employees in various disciplines including Shop Floor Management, Motivation, Total Quality Management etc. Training workshops were also organised for the employees to upgrade their skills at all levels of operation.

ENVIRONMENT & SOCIAL OBLIGATION

Our plants comply with all norms set up for clean and better environment by the competent authorities. Regular checks / inspections including certification are carried out for the maintenance of the environment, health and safety. Environmental protection and safety are major considerations in the working of the Company. The Company has adequate Effluent Treatment and Acid Regeneration Plants to prevent pollution.

The Company is continuously endeavouring to improve the quality of life in the communities surrounding its industrial complex.

SUBSIDIARY OF THE COMPANY

The Report of the Directors of Lloyds Realty Limited, a wholly owned subsidiary of your Company and Statement of Accounts of the said subsidiary for the year ended on 31st March, 1999 together with the Auditor's Report thereon, form part of this report and are attached. A Statement pursuant to Section 212 of the Companies Act, 1956 is attached herewith.

FIXED DEPOSITS

The liability on account of fixed deposits at the beginning of the year was Rs. 1765.51 lacs. In spite of the grave economic scenario and liquidity crunch the Company has repaid the fixed deposits amounting to Rs 824.54 lacs during the period. The Company has stopped accepting fresh deposits from July, 1998. The deposits amounting to Rs 551.10 lacs were in the progressive process of repayment at the end of the year. As on 31st March, 1999 there were 406 unclaimed deposits amounting to Rs 41.25 lacs.

DIRECTORS

During the year Chairman and The Group Founder Shri R. N. Gupta has passed away on 20th January 1999. Your Directors do pay homage to their Late Chairman Shri R. N. Gupta with a prayer to the Almighty for his soul to rest in peace and your Directors record their deep appreciation for the valuable guidance and services rendered by the Chairman to the Company.

During the year Mr. V.R. Mehta's nomination has been withdrawn by IFCL. Mr. D. D. Damodar and Mr P.P.Chitale have resigned from the Directorship. The Board places on record its sincere appreciation for the valuable contributions made by Mr. V. R. Mehta, Mr. D. D. Damodar and Mr P.P. Chitale during their association with the Company.

Mr. B. L. Agarwal, Mr P.C. Soni and Mr. S Govindaraj, Directors of your Company, retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS & AUDITORS' REPORT

The activities of Auditors of the Company M/s. Lakhani & Chadha, Chartered Accountants had been taken over by M/s Lakhani & Co. during the year. The Board of Directors of the Company appointed M/s. Lakhani & Co., Chartered Accountants in vacancy caused till the conclusion of the ensuing Annual General Meeting. M/s Lakhani & Co. retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The members are requested to appoint Auditors for the Current year and fix their remuneration.

The observations in the Auditors' Report read with notes under Schedule N, are self explanatory and require no further elaboration.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with 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, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'B' forming part of this report.

PROJECTIONS V/S PERFORMANCE PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT

The Performance of the Company during the year 1998-99 and the projections in its Letter of Offer dated February 29, 1996 for its Rights Issue of Equity Shares is as follows:

Particulars	(Rs.in Lacs)	
	Projected	Actual
Total Income	104900.00	88160.81
Net Profit/(Loss)	17400.00	(19789.80)

The sharp fall in the Net Profit is because of the pressure on margins due to factors which have been explained in the earlier part of the Report under the paragraph "Profitability and Operations."

Y2K COMPLIANCE

The Company has taken appropriate and effective steps to ensure that all its operations, processes and functions would be Y2K compliant by 30th September 1999. An Enterprise Resource Planning (ERP) programme which also covers the customers, key suppliers, and other business associates in view of the potential impact of the Y2K problem has been established to minimise the impact of Y2K related issues. The total expenditure on this programme is expected at Rs 220 lacs. Further cost to maintain its compliance through to Year 2000 is not expected to be material. The Company is also developing a contingency plan for addressing any unanticipated Y2K problem that may arise.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and continued co-operation extended by the Financial Institutions, Banks, Government Authorities, Fixed Depositors, Clients and Suppliers during the year under review. The Directors wish to place on record their deep sense of appreciation for the devotion and sense of commitment shown by the employees at all levels and acknowledge their contribution.

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 25th May, 1999

MUKESH R GUPTA
Chairman

ANNEXURE - A**TO THE DIRECTORS' REPORT****STATEMENT PURSUANT TO 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****(A) CONSERVATION OF ENERGY****Engineering Division:**

Form 'A' is not applicable as its activities does not fall under the list of Industries specified in the schedule attached to Rule 2.

Steel Division :

1. Working with one transformer for both the EAF instead of two transformers, thereby saving of power.
2. Optimum utilisation of various auxilliary equipments in the factory, resulting into saving of power.
3. Reduction in maximum demand from 100 MVA to 90 MVA by optimising process and equipment utilisation.
4. Installation of infra Red Heat Sensor for control of CAG Blower of 90 KVA motor.
5. Installation of Ultrasonic Loop Pit Sensor for continuous operation of GP-CTL
6. Changing operation parameters and non-productive running of DC motor blowers, etc. increasing operation speed to lower power consumption.
7. Use of PVC blowers in cooling towers and new logic development for on and off of these blowers.

Form 'A', for Disclosure of Particulars with respect to Conservation of Energy is as per Annexure - A I.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**ENGINEERING DIVISION -**

- **Research & Development (R&D) :**

The Company undertakes on a continuous basis, various activities for development of new products and process, cost reduction, improvement in quality and productivity, import substitution, etc.

- **Technology Absorption, Adaptation and Innovation:**

The Company, in accordance with the existing tie up arrangements with the renowned foreign parties, has continuous access to high technology in respective product lines. Engineering Division also generated technology for Acid Recovery Project and Hydrogen Furnace.

STEEL DIVISION -**Research and Development (R&D):**

Sr No.	Particulars	Sr No.	Particulars
1.	Specified areas in which R & D carried out by the Company	a.	CR-CA process optimisation to improve yield.
		b.	Steckel Furnace atmosphere control and combustion optimisation to produce cold rolling sector grade free of silvers and embedded scales.
		c.	Process parameters optimisation with respect to incorporation of stretch leveller in GP/GC line.
		d.	Development of new type of high coating GC.
		e.	Secondary cooling optimisation in CCM to get slabs free of central shrinkage.
		f.	Development of high Carbon & high Manganese abrasion resistant plates (SMS & HRM).
2.	Benefits derived as a result of R&D	a.	Better price realisation
		b.	New marketing sectors tapping
		c.	Customers satisfaction.
		d.	Higher proportion of prime products.
		e.	Yield improvement in slab production & cold rolling section.
3.	Future Plan of action	a.	Development of abrasion Corrosion resistant special grades.
		b.	Prime production in GP/GC go up.
		c.	Elimination of surface cracks in thick peritectic grade plates.
		d.	Yield improvement in SMS
4.	Expenditure on R & D		NIL

Technology Absorption, Adaptation and Innovation

- 1)
 - a. Pay loader bucket and arm designing and fabrication with our own steel.
 - b. Logic modification for damper conduct in Dust Collection of EAF for 100% DRI melting.
 - c. Improvement in ladle movement logic to save both electrical and liquid fuel.
 - d. Central Shrinkage elimination in slabs.
 - e. Argon burging logic modification.
 - f. Heat Shield on roller table and delay table.
 - g. Rolling schedule modification to check waviness and longer campaign in CR grade rolling.
 - h. Mill edge HR Coils as well as use of slitter for trimming, pickling speed.
 - i. Yield improvement by identifying fixed zone of guage variation in CR Coil at Continuous Galvanizing Line.
- 2) Benefits :
 - a. Saving in the cost of production.
 - b. Saving in the power consumption.
 - c. Saving on consumption of fuel.
 - d. Quality of plates improves even in low reduction and overall realisation or loss due to poor quality reduced.
 - e. Quality of HR improves and deviation/UT/defective comes down.
 - f. Quality problem of edge crack getting eliminated.
- 3) NOT APPLICABLE.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company undertakes orders for design, engineering, supply, erection and commissioning of equipments under global tenders and these are treated as deemed exports.

The details of Foreign Exchange Earnings and Outgo are as under:

	1998-99	(Rs. in lacs) 1997-98
(a) Earnings		
i. Brokerage and Commission	24.81	1.30
ii. Sales including deemed exports	4812.92	6190.79
iii. Others	--	8.94
(b) Outgo		
i. Import of Plant & Machinery	--	308.90
ii. Travelling/Books Periodicals	10.80	12.44
iii. Imported Raw Materials, Stores & Spares etc.	2496.07	7566.03

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 25th May, 1999

MUKESH R GUPTA
Chairman

ANNEXURE - "A-1"**TO THE DIRECTORS' REPORT****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

		UNIT	1998-99	1997-98
A. Power & Fuel Consumption				
1.	Electricity			
a)	Purchased			
	Units	kwh	317232524	406685937
	Total Amount	Rs.	1085979588	1322412854
	Rate/Unit	Rs./kwh	3.42	3.25
b)	Own Generation			
i)	Through Diesel Generator			
	Units	kwh	6620	19083
	Units per ltr.of Diesel Oil	Un./Ltr.	3.23	2.25
	Cost/Unit	Rs./kwh	3.08	3.45
ii)	Through Steam Turbine/Generator			
	Units		NIL	NIL
	Units per ltr.of Fuel Oil/Gas		NIL	NIL
	Cost/Unit		NIL	NIL
2.	Coal			
	Quantity	Ton	NIL	NIL
	Total Cost	Rs.	NIL	NIL
	Average Rate	Rs./Ton	NIL	NIL
3.	Fuel Oil			
a)	Furnace Oil			
	Quantity	kl	16965	22744
	Total Amount	Rs.	101376870	137501383
	Average Rate	Rs./kl	5976	6046
b)	LDO			
	Quantity	kl	9805	4644
	Total Amount	Rs.	82705837	36006883
	Average Rate	Rs./kl	8435	7753
4.	Others/Internal Generation			
	Quantity		NIL	NIL
	Total Cost		NIL	NIL
	Rate/Unit		NIL	NIL
B. Consumption per unit of production				
1.	HR PRODUCTS			
	- Electricity	kwh/mt	1033	1028
	- Furnace Oil	kl/mt	63	63
	- LDO	kl/mt	33	14.06
2.	GP/GC PRODUCTS			
	- Electricity	kwh/mt	1305	1292
	- Furnace Oil	kl/mt	66	66
	- LDO	kl/mt	41	22
3.	CR PRODUCTS			
	- Electricity	kwh/mt	1235	1225
	- Furnace Oil	kl/mt	67	67
	- LDO	kl/mt	41	23

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 25th May, 1999**MUKESH R GUPTA**
Chairman