



LLOYDS STEEL INDUSTRIES LIMITED

31st ANNUAL REPORT 2000 - 2001

BOARD OF DIRECTORS**CHAIRMAN** MUKESH R. GUPTA**MANAGING DIRECTOR** RAJESH R. GUPTA**DIRECTORS**

B. L. AGARWAL P. MOHAPATRA (NOMINEE - LIC)

S. SAMARAPUNGAVAN R. J. BEDEKAR (NOMINEE - IDBI)

P. C. SONI S. S. JHA (NOMINEE - IFCI)

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.

AUDITORSLAKHANI & COMPANY
[CHARTERED ACCOUNTANTS]**LEGAL ADVISORS**KANGA & COMPANY
[SOLICITORS & ADVOCATES]**REGD OFFICE & OPERATIONS**

(STEEL & ENGG. DIVISION)
 MODERN MILLS COMPOUND,
 101, KESHAVRAO KHADE MARG,
 JACOB CIRCLE, MUMBAI - 400 011.

WORKS - STEEL DIVISION

LLOYDS NAGAR,
 BHUGAON LINK ROAD,
 WARDHA - 442 001

WORKS - ENGG DIVISION

PLOT NO. A-5/5/1 & A6/3,
 MIDC INDUSTRIAL AREA,
 MURBAD, DIST THANE.

REGIONAL OFFICES

HYDERABAD, MUMBAI AND NEW DELHI.

REGISTRAR & TRANSFER AGENT

LLOYDS CAPITAL SERVICE LTD.,
 MODERN MILLS COMPOUND,
 101, KESHAVRAO KHADE MARG,
 JACOB CIRCLE, MUMBAI - 400 011.
 Phone:- 308 0097, 308 0098

CONTENTS	Page No.
Notice	1
Directors' Report	3
Auditors' Report	7
Balance Sheet	8
Profit and Loss Account	9
Schedules	10
Balance Sheet Abstract and Company's General Business Profile and Statement Pursuant to Section 212	22
Cash Flow Statement	23
Documents of Subsidiary Company	25

NOTICE

NOTICE is hereby given that the **31st Annual General Meeting** of the Members of **Lloyds Steel Industries Limited** will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on Wednesday, the 26th day of September, 2001 at 11.00 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 2001 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 P. C. Soni who retires by rotation, and being eligible, offers himself for reappointment.
4. 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

5. Alteration of Articles of Association

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

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following new Articles be inserted immediately after the respective existing Articles in the Articles of Association of the Company:

a) Article 55 A - Nomination

Every holder(s) of shares in or debentures of the Company, holding either singly or jointly, may at any time, nominate a person in the prescribed manner to whom the shares and/or the interest of the member in the capital of the Company or debentures of the Company shall vest in the event of his/her death. Such member may revoke or vary his/her nomination, at any time, by notifying the same to the Company to that effect. Such nomination shall be governed by the provisions of Section 109A and 109B of the Companies Act, 1956 or such other regulations governing the matter from time to time.

Notwithstanding anything contained in Articles of Association for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or as the case may be on the death of the joint holders become entitled to all the right in such shares or debenture or as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.

"Where the nominee is a minor, it shall be lawful for the holder of the share or debenture to make the nomination to appoint any person to become entitled to shares in or debentures of the company in the manner prescribed under the Act, in the event of his/her death, during the minority."

b) Article 60A-Transfer & Transmission of shares by nominee

1. A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:
 - a. to register himself/herself as holder of the share or debenture, as the case may be; or
 - b. to effect such transfer of the share or debenture, as the deceased shareholder, as the case may be, could have made.

2. If the nominee elects to be registered as holder of shares or debentures himself / herself, as the case may be, he/she shall deliver or cause to deliver to the Company, a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debentureholder, as the case may be.

3. A Nominee shall be entitled to the share, dividend and other advantages to which he/she would be entitled as if he/she was the registered holder of share or debenture. Provided that he/she shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself/herself or to transfer the share or debenture and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share or debenture, until the requirements of the notice have been complied with.

c) Article 96A-Postal Ballot

The Company may and in the case of resolution relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company. Where the Company requires to or decides to, as the case may be get a resolution passed by means of a postal ballot, the provisions of Section 192A of the Act or such other rules, regulations and modifications framed thereunder from time to time shall be complied with.

d) Article 96B-Voting Right of Depositories and Beneficial Owners

A Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of shares or debentures on behalf of a Beneficial Owner. Save as otherwise provided hereinabove, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Shares held by it and the Beneficial Owner shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of its shares held by a Depository.

e) Article 114A-Appointment of Small Shareholders' Director

The Company may have a director elected by small shareholders in the manner as may be prescribed under the provisions of Section 252 of the Companies Act, 1956 or such other regulations governing the matter from time to time. The director so elected will be a Ex-officio Director.

f) Article 115A-Disqualification of Director

A person shall not be capable of being appointed as a Director of the Company, if any of the provisions of the disqualification prescribed under Section 274 of the Act applies to him.

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 Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the terms of remuneration of Shri Rajesh. R. Gupta, Managing Directors (details as given below) be and is hereby amended w.e.f 01.04.2001 with liberty to the Board of Directors to alter and vary the terms and conditions of remuneration and /or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force, or any amendments and/ or modifications that may hereafter be made thereto by Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri Rajesh. R. Gupta:

Details of remuneration:-

Basic Salary	1,00,000 per month
House Rent Allowance	60% of Basic
Medical Allowance,	40,000 per month
Leave Travel Allowance &	
Other Perquisites	
Leave	One Month's leave with full salary for every 11 months.

in addition to this Shri Rajesh. R. Gupta is also eligible for

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT where in any financial year during the rest of the tenure as Managing Director, the Company has no profits or its profits are inadequate, the Company do pay to Shri Rajesh. R. Gupta, remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of the part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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 Wednesday, the 12th day of September 2001 to Wednesday, the 26th day of September 2001 (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. 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.

By Order of the Board

Place : Mumbai
Dated : 27th June, 2001

S. N. TIWARI
Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

The Companies (Amendment) Act, 2000 inserted new Section 109A and 109B, providing nomination facility to the Share and Debenture holders in respect of Shares and/or Debentures of the Company held by them.

Moreover, the Companies (Amendment) Act, 2000 inserted new provisions providing postal ballot facility, appointment of small shareholders' director, additional ground for disqualification of directors etc.

The consequential changes are required to be incorporated in the Article of Association of the Company to ensure conformity with the provisions of the companies Act, 1956 as amended by the Companies (Amendment) Act, 2000. Hence, your approval is sought to the proposed resolution.

The amended Articles of Association, as referred in the resolution is open for inspection at the Registered Office of the Company from 11.00 a.m. to 1.00 p.m., on all the working days of the Company till the date of Annual General Meeting.

None of the Directors of the Company is concerned or interested in the said resolution.

ITEM NO. 6

Shri Rajesh R. Gupta was appointed Managing Director w.e.f. 1st January 1995 for the period of 5 years. He was reappointed as Managing Director for a further period of 5 years w.e.f. 1st January 2000 on the terms and conditions as per Resolution passed by members at Annual General Meeting held on 24th September 1999.

Following the enhancement in Minimum Remuneration w.e.f 02.03.2000 by amendment to the Schedule XIII of the Companies Act, 1956 with respect to Remuneration payable by Companies having no profit or inadequate profits, it has been considered appropriate to pay minimum remuneration to the Managing Director w.e.f. 01.04.2001 in line with the revised slabs permissible by amended Schedule XIII as set out in the resolution at item no.6 of the notice.

The Board of Directors commends passing of Resolution.

Shri Mukesh R. Gupta is related to Shri 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.

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

By Order of the Board

Place : Mumbai
Dated : 27th June, 2001

S. N. TIWARI
Company Secretary

Lloyds Steel Industries Ltd.

DIRECTORS' REPORT

The Directors present their Thirty First Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL HIGHLIGHTS

Sales :
Other Income
Total Income :
Profit /Loss (-) before Interest and Depreciation
Less : Finance Charges
Gross Loss
Add : Depreciation
Loss before Tax
Add : Tax Provision
Loss After Tax
Add/Less : Prior Period Expenses/ Income (-)
Add : Income tax of earlier year
Add : Capital Expenditure Written off
Net Loss
Loss b/f from previous year

Less : Set off against General Reserve
Balance Carried Forward

DIVIDEND

In view of the loss the Directors have not recommended any Dividend for the year ended 31st March 2001.

TOTAL INCOME & PROFITABILITY

Total income of the Company during the year is **Rs. 503.37 crores** against Rs. 545.64 crores in the previous year reflecting sluggish market conditions.

The shortage of working capital, depressed markets, poor demand and general downtrend in the user industry had affected the contribution and further resulted increase in the cash loss to **Rs. 315.64 crores** during the year compared with Rs. 196.08 crores of cash loss during the preceding year. The Company has incurred a net loss of **Rs. 406.51 crores** as compared with previous year loss of Rs. 264.79 crores after providing depreciation of **Rs. 90.87 crores** (Previous year Rs 68.71 crores). With commencement of commercial production of CR Steel, (CRM II) from 30th September 2000, the interest cost has risen.

OPERATIONS

Steel Division

The slow down in the economy as a whole has affected the industry in general and the steel/engineering industry in particular. The steel industry in the country continues to suffer from over supply scenario. The supply side is currently outstripping the demand. The demand situation will improve only on the back of strong upsurge in domestic demand, which in turn depends on increased spending on infrastructure sector.

During the financial year Company made exports of **Rs. 37.34 crores** to various countries.

Engineering Division

The Engineering Industry is witnessing an acute competition from the foreign vendors, as a result many of the fabrications/ manufacturing

Current Year 2000-01 (Rs.in Lacs)	Previous Year 1999-2000 (Rs.in Lacs)
49489.69	53883.05
847.63	681.15
50337.32	54564.20
-2680.89	1829.91
28883.06	21438.39
31563.95	19608.48
9087.31	6870.86
40651.26	26479.34
—	—
40651.26	26479.34
158.27	2818.35
—	8.29
—	100.00
40809.53	29405.98
49374.37	19968.39
90183.90	49374.37
15881.35	15881.35
74302.55	33493.02

order of Indian based Public Sector Undertakings are bagged by foreign vendors, which has resulted in lower orders for the domestic units.

The total Industrial environment has been affected by the shortage of working capital, lack of demand, slowdown in the user industries and the general down trend in the market. Your Company is not exception to this general phenomena.

The Engineering Division has recorded total income of **Rs. 30.49 crores** as compared to Rs. 58.31 crores in the previous years due to continued industrial sluggishness.

PROJECTS

The Cold Rolling Mill - II (CRM II) project, which was undergoing trial runs, commenced commercial production from 30th September during the year.

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. During the year the Company made development of Hardening and Tempering Processes in Hot Rolling Mill for Defence grade steel plates and HR Skin passed suitable for Galvanizing.

CURRENT YEAR OUTLOOK

Steel Division

With likely restructuring of the loans by the Financial Institutions and the Banks it is expected that Working Capital position may improve to some extent which will help to increase capacity utilisation of the plant and to earn better margin.

The Company has taken several steps to reduce costs at all levels by way of cuts in the cost of conversion, manpower rationalisation, and reduction in operational overheads etc.

With a view to smoothen the problems, your Company had undertaken a major restructuring exercise, which was approved by all the Members and the Unsecured Creditors. The approval from some of the Financial Institutions/Banks is still awaited.

Engineering Division

The current year appears to be more positive with various enquiries received by the Division. The Division intends to increase its attention towards the service sector, a niche market.

REFERENCE TO BIFR

Based on the Audited Balance Sheet for the year ended 31st March 2001 your Board have formed an opinion that the Company has become a Sick Company as defined under Section 3 (1)(o) of the Sick Industrial Companies (Special Provisions) Act 1985 and reference will be made to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) to seek determination of measures which would be adopted as required under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

MACRO ECONOMIC ENVIRONMENT

Manufacturing sector, the key driver of industrial output, is grappling with grim economic scenario. According to (CSO) Industrial output growth figure for 2000-2001 was 5% and the current financial year 2001-2002 has started on a poor note with industrial output growth further slowing down. The Engineering and Capital Goods sector are in doldrums for quite some time. It is needed to expedite spending in infrastructure projects to put economy on revival path.

INVESTOR SERVICES

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

EMPLOYEE RELATIONS

During the year under review Employee/Industrial relations at all units and job sites remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines.

ENVIRONMENT & SOCIAL OBLIGATION

Our plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment 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, 2001 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

In spite of the grave economic scenario and liquidity crunch, the Company has repaid fixed deposits and cleared the backlog. As on 31st March 2001 there were unclaimed deposits amounting to Rs 179.74 lacs.

DIRECTORS

Shri S.S. Jha has been appointed as Nominee Director by IFCI Limited on the Board of the Company with effect from January 2001. Shri K. M. Jaya Rao, Nominee Director on the Board of the Company had been withdrawn w.e.f. 05.04.2001 by ICICI Limited. Shri R. Narayanan has resigned from directorship w.e.f. 30.04.2001.

The Board places on record its sincere appreciation for the valuable contributions made by Shri K. M. Jayarao and Shri R. Narayanan during their association with the Company.

The Directors take pleasure in welcoming Shri S. S. Jha who is possessing rich and varied experience, on the Board and are sure that your Company will be benefitted immensely.

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

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 that :

1. In the preparation of annual accounts for the financial year ended 31st March 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for the year under review.
3. 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;
4. Final accounts have been prepared on going concern basis.

AUDITORS & AUDITORS' REPORT

M/s Lakhani & Company retires as Auditors of the Company at the conclusion of the ensuing Annual General Meeting. The members are requested to appoint Auditors for the Current year and fix their remuneration.

Notes on Accounts under Schedule "Q" are self-explanatory and do not require further explanation on the auditor's qualification mentioned at Sr. No. 5(i) in Auditor's Report. As regards qualification mentioned at Sr. No. 5(ii) in view of the ongoing discussion for restructuring the interest liability, the company has not provided for interest on certain overdue payments. As regards the observation in the Auditors' Report in respect of Non maintenance of Liquidity Reserve to be maintained under Section 58A -Point No. 8 (xiii) of Manufacturing and other Companies (Auditor's Report) Order, 1988 (MAOCARO) Report, Directors wish to state that as explained in the earlier part of Report under the paragraph "Total Income & Profitability & Operations" the Company has incurred losses during the year and due to severe liquidity crunch, the Company could not maintain liquidity reserve.

PARTICULARS OF EMPLOYEES

None of the employee is drawing a salary of Rs. 12,00,000/- per annum or Rs. 1,00,000/- per month for part of the year.

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 'A' forming part of this report.

COMPLIANCE FOR CORPORATE GOVERNANCE

Pursuant to the insertion of new Clause 49 to the Listing Agreement, Company is required to implement the Corporate Governance within financial year 2001-2002. Accordingly the Company has taken adequate steps for implementation of the Corporate Governance as stipulated under Clause 49 of the Listing Agreement.

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 : 27th June, 2001

Mukesh R. Gupta
Chairman.

ANNEXURE - A

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

- 100% use of waste oil generated in Effluent Treatment Plant (ETP).
- Use of weeds and grass for warming up of the Reheating Furnace (RHF).
- Consumption of air and water reduced by 10% in terms of per tonne of production in SMS and HRM.
- Increase in rolling rate thereby reduction in power consumption by 20% in Cold Rolling Mill-II.
- All energy saving measures adopted during the previous year have been maintained during current year also.

Form "A", for Disclosure of Particulars with respect to Conservation of Energy is as per Annexure-A1.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**STEEL DIVISION**

Research and Development (R & D) :

Sr.No. Particulars

1. Specified areas in which R & D carried out by the Company

Sr.No. Particulars

- Development of Hardening and Tempering Processes in Hot Rolling Mill for Defence grade steel plates.
- Modification of process to get skin-pass material in tabletop profile.
- Trouble-free hot rolling of coil
- Development of HR skin passed suitable for Galvanizing
- Production of high-strength speciality and alloyed Galvanized products.
- Tapping of new market sectors, such as defence, special grade importers, CRCA consumers, export market for extra thin galvanized products, etc.
- Improved product quality and customer satisfaction.
- Lower costing and higher price realisation.
- Development of steel with higher fatigue life for automobile sector.
- Technology development for steel production from DRI made out of Wardha Valley Coal & Surjagarh Iron Ore.
- Reduction of gross power at Laddle Refining Furnace.
- Development of post combustion and bottom purging in EAF
- Process improvisation to improve prime yield in Cold Rolling and Continuous Galvanizing Line by 1% and 2% respectively.

NIL

2. Benefits derived as a result of R & D

3. Future plan of action for R & D

4. Expenditure on R & D

1) Technology Absorption, Adaptation and Innovation :

- In-house repair of Electronic/PLC Cards.
- Indigenisation of Casting Powder in Slab Casting.
- Use of indigenous Work Rolls - 100% in Hot Rolling Mill and 50% in Cold Rolling Mill.
- Improvement in Zinc Pot life (manufactured with our own steel)
- Perfection in use of Stretch Leveller in the Galvanising Line.

2) Benefits :

- Saving in repairs & maintenance cost.
- Saving in the cost of production and inventory carrying cost.
- Improvement in the quality of galvanized products.

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

(a) Earnings

- Brokerage and Commission
- Sales including Deemed Exports
- Others

(b) Outgo

- Import of Plant & Machinery
Travelling/Books Periodicals
Imported Raw Materials, Stores & Spares, etc.
Interest
Brokerage & Commission

2000-01	(Rs in lacs) 1999-2000
55.55	34.75
3926.10	5468.89
0.00	35.54
0.00	2201.45
28.53	28.41
1774.50	1824.17
239.96	206.07
13.62	0.00

For and on behalf of the Board of Directors

MUKESH R. GUPTA
Chairman

Place : Mumbai
Dated : 27th June, 2001

Lloyds Steel Industries Ltd.

ANNEXURE - A1

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power & Fuel Consumption		UNIT	2000-01	1999-2000
1	Electricity			
	a) Purchased			
	Units	Kwh	223010723	250086834
	Total Amount	Rs.	833320056	895688827
	Rate/Unit	Rs. Kwh	3.74	3.58
	b) Own Generation			
	i) Through Diesel Generator			
	Units	Kwh	8128	12840
	Units per ltr. of Diesel Oil	Kwh/ltr	2.66	1.85
	Cost/Unit	Rs/kwh	6.385	5.59
	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	12188	12553
	Total Amount	Rs.	129867046	91637755
	Average Rate	Rs/Kl	10655	7300
	b) LDO			
	Quantity	Kl	3395	8382
	Total Amount	Rs.	42490110	86762029
	Average Rate	Rs/Kl	12517	10351
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	1055	1067
	- Furnace Oil	ltr/mt	66	60
	- LDO	ltr/mt	12	34
2.	GP/GC PRODUCTS			
	- Electricity	kwh/mt	1378	1398
	- Furnace Oil	ltr/mt	70	64
	- LDO	ltr/mt	26	42
3.	CR PRODUCTS			
	- Electricity	kwh/mt	1295	1293
	- Furnace Oil	ltr/mt	70	64
	- LDO	ltr/mt	26	42

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 27th June, 2001MUKESH R. GUPTA
Chairman

Lloyds Steel Industries Ltd.

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF LLOYDS STEEL INDUSTRIES LIMITED.

We have audited the attached Balance Sheet of Lloyds Steel Industries Limited as at 31st March, 2001 and the annexed Profit and Loss Account for the year ended on that date and report that :

1. 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.
2. In our opinion proper books of account as required by law have been kept by the Company so far, as it appears from our examination of such books.
3. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
5. Attention is invited to the following Notes:
 - (i) As regards Debtors referred to in Note no. 10(a), we are unable to express our opinion regarding the realisability of the said debtors.
 - (ii) Note No.21 regarding non provision of interest amounting to Rs. 2111.26 lacs (till date Rs. 2678.62 lacs).
 - (iii) We further report that, without considering items mentioned at para 5(i), had the observations made by us in paragraphs above have been considered, the loss for the year after taxation would have been Rs. 42762.52 lacs (as against the reported figure of loss of Rs. 40651.26 lacs).
6. On the basis of written representation from the directors, taken on record by Board of Directors none of the director is disqualified as on 31st March, 2001 from being appointed as a director under section 274(1)(g) of the Companies Act, 1956.
7. In view of the foregoing paragraphs, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs as at 31st March, 2001, and
 - ii) in the case of the Profit and Loss Account of the loss for the year ended on that date.
8. 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 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as under :
 - i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All the fixed assets have not been verified during the year, but according to information and explanations given to us, there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between book records and the physical inventory have been noticed in respect of the assets physically verified.
 - ii. None of the fixed assets have been revalued during the year
 - iii. Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
 - iv. The procedure followed by the management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
 - v. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company.
 - vi. In our opinion, the valuation of stock is fair and proper in accordance with generally accepted accounting principles. The valuation of the Stock is on the same basis as in the previous year.
 - vii. The Company has taken interest free unsecured loan from a Company as listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company. We have been informed that there are no Companies covered under Section 370 (1B) of the Companies Act, 1956.
 - viii. The Company has given interest free unsecured loans to its subsidiary Company as well as to a Company as listed in the register maintained under Section 301 of the Companies Act, 1956. The other terms and conditions are prima facie not prejudicial to the interest of the Company. We have been informed that there are no other Companies covered under Section 370(1B) of the Companies Act, 1956.
 - ix. The parties to whom loans and/or advances in the nature of loans have been given by the Company, are repaying the principal amount as stipulated and are also regular in payment of interest wherever stipulated.
 - x. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, components, plant and machinery, equipment and other assets, and sale of goods.
 - xi. In our opinion, the transactions of purchase and sale of goods and materials made in pursuance of Contracts or arrangements, entered in the Register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market price for such goods and materials or prices at which transaction for similar goods or material have been made with other parties.
 - xii. As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss, if any, arising on the items so determined.
 - xiii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of The Companies Act, 1956 and The Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public except for non maintenance of Liquidity Reserve during the year.
 - xiv. Reasonable records have been maintained by the Company for the sale and disposal of scraps. We have been informed that there are no by-products generated by the Company.
 - xv. The Company has an internal audit system commensurate with the size and nature of its business.
 - xvi. We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of Cost Records for its Steel Division under section 209 (1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of the Records with a view to determine whether they are accurate or complete.
 - xvii. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
 - xviii. According to the information and explanations given to us, and the books and records examined by us, there were no undisputed amounts payable in respect of income tax, sales tax, customs duty and excise duty outstanding as at 31st March, 2001 for a period exceeding six months from the date they became payable.
 - xix. On the basis of the examination of (i) the books of account (ii) other records (iii) the explanations given to us on our inquiries, no personal expenses, other than expenses under service contract obligations with the Company's employees and/or accepted business practices, have been charged to revenue account.
 - xx. The Company is a sick industrial company within the meaning of clause 'O' of Sub Section (1) of Section 3 of The Sick Industrial Companies (Special Provisions) Act, 1985. Reference to BIFR under section 15 is to be made.
 - xxi. In respect of the trading activity of the Company, there are no damaged goods requiring determination.

For LAKHANI & CO.
Chartered Accountants

Place : Mumbai
Dated : 27th June, 2001

R. S. Chadha
Partner

Lloyds Steel Industries Ltd.

7

BALANCE SHEET
AS AT 31st MARCH, 2001

		(RUPEES IN LACS)	
PARTICULARS	Schedule	AS AT 31.03.2001	AS AT 31.03.2000
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Capital	'A'	18861.99	18861.99
(b) Reserves & Surplus	'B'	38749.91	38749.91
		57611.90	57611.90
2. LOAN FUNDS			
(a) Secured Loans	'C'	202894.34	162140.80
(b) Unsecured Loans	'D'	13676.77	11472.05
		216571.11	173612.85
TOTAL		274183.01	231224.75
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	'E'		
Gross Block		212276.51	204951.89
Less: Depreciation		44337.75	33545.66
Net Block		167938.76	171406.23
2. INVESTMENTS	'F'	1163.48	1163.48
3. CURRENT ASSETS, LOANS & ADVANCES	'G'		
(a) Inventories		16263.25	16915.15
(b) Sundry Debtors		29738.99	32240.38
(c) Cash & Bank Balances		890.03	342.28
(d) Other Current Assets		10604.77	2361.09
(e) Loans & Advances		8103.24	12281.14
		66600.28	64140.04
Less: Current Liabilities	'H'	37595.82	42050.22
NET CURRENT ASSETS		28004.46	22089.82
4. MISCELLANEOUS EXPENDITURE	'I'	2773.76	3072.21
5. PROFIT & LOSS ACCOUNT		74302.55	33493.01
TOTAL		274183.01	231224.75
Notes forming part of Accounts.	'Q'		

As per our Report of even date attached

For **LAKHANI & CO.**
Chartered Accountants

R. S. CHADHA
Partner

Place : Mumbai
Date : 27th June, 2001.

S. N. TIWARI
Company Secretary

For and on behalf of the Board

RAJESH. R. GUPTA
Managing Director

MUKESH. R. GUPTA
Chairman