



LLOYDS STEEL INDUSTRIES LIMITED

**33rd
Annual Report
2002 - 2003**

BOARD OF DIRECTORS

CHAIRMAN	MUKESH R. GUPTA
MANAGING DIRECTOR	RAJESH R. GUPTA
DIRECTORS	B. L. AGARWAL
	T. B. ANANTHANARAYANAN (IDBI Nominee)
	P. KAR (IFCI Nominee)
	P. C. SONI

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 LIMITED
 INDUSIND BANK LIMITED
 BANK OF INDIA
 THE BANK OF TOKYO MITSUBISHI LIMITED
 GLOBAL TRUST BANK LIMITED

REGISTERED OFFICE

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, & A6/3,
 MIDC Industrial Area,
 Murbad, Dist. Thane.

REGISTRAR & SHARE TRANSFER AGENTS**BIGSHARE SERVICES PRIVATE LIMITED**

E-2/3, Ansa Industrial Estate, Sakivihar Road,
 Saki Naka, Andheri (E), Mumbai - 400 072.

Phone: 2852 3474 / 2856 0652-53

Fax : 2852 5207

CONTENTS	Page No.
Notice	3
Directors' Report	4
Corporate Governance	7
Auditors' Report	9
Balance Sheet	10
Profit and Loss Account	11
Schedules	12
Balance Sheet Abstract and Company's General Business Profile	21
Cash Flow Statement	21

NOTICE

NOTICE is hereby given that the **33rd 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 Saturday, the 27th day of September, 2003 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, 2003 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 P. C. Soni who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in pursuance of Section 163 of the Companies Act, 1956 (the Act) the Company hereby approves that the Registers and Indexes of Members/ Debenture holders and copies of Annual Returns prepared under Section 159 of the Act, together with copies of the Certificates and Documents required to be annexed thereto under Section 161 of the Act or any one or more of them, be kept at the Office of Company's Registrar & Transfer Agent M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East) Mumbai - 400 072."

By Order of the Board

S. N. TIWARI

Company Secretary

Place : Mumbai
Dated : 30th May 2003

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 13th day of September 2003 to Saturday, the 27th day of September 2003 (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. Bigshare Services Private 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.

7. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment Act, 1999), the amount of the dividend remaining unclaimed for a period of seven years shall be transferred to the Investors Education and Protection Fund. Hence, shareholders who have not claimed the dividend for the year 1995-96 till date are requested to do so as the said dividend will be transferred to the Investor Education and Protection Fund in October 2003.

By Order of the Board

S. N. TIWARI

Company Secretary

Place : Mumbai
Dated : 30th May 2003

INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who is proposed to be re-appointed is given below.

Name	: Mr. P. C. Soni
Age	: 65 years
Qualification	: M.Com., FCS
Expertise	: Corporate Consultant & Company Director
	Working experience in the field of Finance, Management and Legal
	He is also member of Audit Committee.

Other Directorship : M/s. Lloyds Finance Limited- Director

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

Item No. 4

In view of the SEBI directions in respect of Common share transfer Registrar, the Company had appointed M/s. Bigshare Services Private Limited as a Registrar and Share Transfer Agent of the Company for handling the Share/Debenture transfer and other related work having their office at E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai- 400 072. The members are requested to pass the resolution for authorising the Company for keeping the Register of Members etc. at the aforesaid premises. An advance copy of the proposed resolution is being forwarded to the Registrar of Companies, Maharashtra, as required by Section 163 of the Companies Act, 1956. The Register of Members, Annual Returns etc. as referred in the resolution are open for inspection at the Registered Office of the Company from 10.00 a.m. to 12.00 noon on all 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.

By Order of the Board

S. N. TIWARI

Company Secretary

Place : Mumbai
Dated : 30th May 2003

DIRECTORS' REPORT

The Directors present their Thirty Third Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	Current Year 2002-03 (Rs.in Lacs)	Previous Year 2001-02 (Rs.in Lacs)
Sales	64576.55	34666.25
Other Income	304.72	537.42
Total Income	64881.27	35203.67
Profit /Loss (-) before Interest and Depreciation	-733.38	-4818.82
Less : Finance Charges	11753.05	8552.49
Gross Loss	12486.43	13371.31
Add : Depreciation	10921.31	11086.23
Loss before Tax	23407.74	24457.54
Add : Tax Provision	0.00	0.00
Loss After Tax	23407.74	24457.54
Add/Less: Prior Period Expenses/ Income (-)	42.45	-1248.46
Less : Income tax of earlier year	4.81	0.00
Net Loss	23445.38	23209.08
(Profit)/Loss b/f from previous year	113392.98	90183.90
	136838.36	113392.98
Less : Set off against General Reserve	15881.35	15881.35
Balance Carried Forward	120957.01	97511.63

DIVIDEND

In view of the loss the Directors have not recommended any Dividend for the year ended 31st March 2003.

TOTAL INCOME & PROFITABILITY

The Indian Steel Industry is on a recovery path after a gap of nearly four bad years on back of firm demand and improved realisations. The Company recorded total Income of **Rs. 648.81** crores during the year against Rs. 352.04 crores in the previous year.

During the preceding four years Domestic Flat Steel market went through a phase of poor demand and prices due to prolonged industrial slow down and fewer number of infrastructural projects taking off the ground, which caused lower growth in the Steel sector in India. During the year under review a good export demand proved to be long awaited trigger to help the domestic sector to put up its' acts together.

Consequently the growth in production during the current year compares favourably against the production level of last year. The prices have also shown firm trend along the Steel value chain, part of which is a result of cost-push-effect. Better prices and higher volumes helped the company to cut losses and the Cash loss during the financial year decreased to **Rs. 124.86 crores** compared with Rs. 133.71 crores despite higher interest of **Rs. 117.53 crores** as against the previous year figure of Rs. 85.52 crores. The net loss of the Company was at **Rs. 234.08 crores** as compared with previous year loss of Rs. 244.57 crores after providing depreciation of **Rs. 109.21 crores** (Previous year Rs. 110.86 crores).

The prevailing low interest regime could be of no avail to the Company in the absence of debt restructuring approval from its lenders. In the event of the restructuring getting through, the Company, stands to bring down interest costs significantly, while adequate control on other costs already in place.

OPERATIONS

Steel Division

The Steel Division during the year under review has recorded a total income of **Rs. 531.96 crores** as compared to the previous year of **Rs. 309.54 crores**. It might have been possible for the company to achieve full production level but for the lack of working capital support from bankers and pressure on available funds being utilised for major

maintenance of plant for increasing of the production. In the process of increasing capacity utilisation, to take advantage of improved market situation, there was also occurrence of an accident due to fire in one of the furnace, further increasing maintenance expenditure and causing loss of production during breakdown. The cash flow was put to further pressure for payment of higher security deposit to MSEB to increase maximum demand for utilising more power for increased level of production coupled with clearance of old arrears.

During the financial year Company made exports of **Rs. 122.87** crores as compared to previous year **Rs. 28.30** crores to various countries. The export has been a strategic area for the Company and it will continue concentrating on it during the current year as well. The sluggish demand in domestic market in a way forced domestic steel sector to look-out for offshore opportunities.

Engineering Division

The Division during the year under review has recorded increase in the turnover due to execution and completion of major jobs of Ispat Industries, Defence Research & Development Organisation, Navy, Coast Guard Mazgaon Dock and SMS Demag amongst various other clients.

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 initial indicators portend that the current year would be a better year. Of late there has been some revival in the automobile sector. This recovery in the automobile sector is expected to benefit the steel industry. Any step up in government expenditure on infrastructure projects is also likely to benefit the steel sector.

The various steps taken by the Company during last 3 years on reduction of costs, overheads and prudent management of the available scarce working capital resources, helped the company in sustaining through the recessionary phase. A fresh restructuring proposal for debt has been put forth before the Financial Institutions & Banks. The success of the Debt restructuring is vital and imperative for the Company to strengthen its long term prospects.

Engineering Division

The current year appears to be encouraging in view of the industrial revival as would be evident from the orders executed by the division in the previous year. In the current year it has already secured order from Govt. Undertakings and also from Private Sector Companies.

REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No. 3 (L-7) BC/2001 dated 11th July 2001. The matter is pending for hearing before the BIFR for consideration of the sickness and further direction.

In the meanwhile, the Company has filed reference based on Results of Financial Year ended 31.03.2002 and the same came to be registered as Case No. 22/2003 as per the letter dated 14.01.2003.

MACRO ECONOMIC ENVIRONMENT

The growth rate of Economy is currently slowing down with the global economy moving from one crisis to another. The war in the Gulf and new health crisis in South East Asia accentuated the conditions. The Indian Business has however demonstrated tremendous flexibility to sustain by taking necessary measures to cut costs & develop foreign markets to provide growth.

The growth of steel, 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 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 on exports. Most major steel companies have thus been reporting losses for last few years.

In the current scenario the financial restructuring by Financial Institutions/ Banks and consolidation in the steel sector is need of the day.

INVESTOR SERVICES

The Company and its Registrars M/s. Sarthak Capital Services Limited endeavoured their best to service the investor satisfactorily which were looking after the physical transfers and the other correspondences. The DEMAT work was looked after by M/s Bigshare Services Private Limited, Mumbai who had connectivity from the NSDL as well as CDSL.

As per the recent SEBI direction, the Company had appointed M/s Bigshare Services Private Limited, having office at E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai- 400 072, as a common Registrar and Share Transfer Agent who will look after the physical as well as DEMAT matters and Shareholder's correspondences from February 2003. Members are requested to take a note of this change.

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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The year 2002-2003 has thrown a ray of light for the steel industry after a prolonged recession. Steel industry has witnessed improvement in demand with realisation also showing firmness in tandem.

Sales turnover

The Sales Turnover of the Company during the year under review was Rs. 64576.55 Lacs as against Rs. 34666.25 Lacs for the previous year.

Adequacy of Internal Control

The Company has a very effective internal control system covering both accounting and administrative controls.

Balance Sheet

Particulars	As at March 31, 2003	As at March 31, 2002
Liabilities		
Share Capital	18862.03	18862.03
Reserve & Surplus	38749.91	38749.91
Loan Fund	231246.19	220740.51
Total Liabilities	288858.13	278352.45
Assets		
Net Fixed Assets	146060.40	156912.74
Investments	1006.13	1163.48
Net Working Capital	18699.33	20401.25
Misc. Expenditure	2135.26	2363.35
Profit & Loss A/c	120957.01	97511.63
Total Assets	288858.13	278352.45

Share Capital

The Company's share capital was at Rs. 18862.03 Lacs during the year.

Loan Funds

Company's Loan funds have been at Rs. 231246.19 Lacs during the year.

Investments

Investment during the year reduced at Rs. 1006.13 Lacs.

Human Resources / Industrial Relations

Despite continuing working capital constraints morale of the employees remained high.

No. of employees as on 31.03.2003 was 1145.

Out look for the 2003-2004

The outlook for the year 2003-2004 appears to be positive. The success of Debt Restructuring by the Lenders and continuance of positive frame of market conditions on export front will enable the Company to record improved performance.

DIRECTORS

Shri T. B. Ananthanarayanan has been appointed as Nominee Director by IDBI on the Board of the Company with effect from 31st March, 2003. Shri E. S. Jayaraman, Nominee Director of IDBI on the Board of the Company had been withdrawn w.e.f. 31.03.2003.

Shri P. Kar has been appointed as Nominee Director by IFCI Limited w.e.f. 31.10.2002.

The Board places on record its sincere appreciation for the valuable contributions made by Shri E. S. Jayaraman during his association with the Company.

The Directors take pleasure in welcoming Shri T. B. Ananthanarayanan and Shri P. Kar who are possessing rich and varied experience, on the Board and are sure that Company will be benefited immensely.

Shri P. C. Soni, Director of your Company, retire by rotation and being eligible, offer himself 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 2003, 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.

CORPORATE GOVERNANCE

Pursuant to the amendment to the Listing Agreement your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance is produced as part of the Annual Report along with the Auditor's Certificate on its compliance.

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.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

AUDITORS & AUDITORS' REPORT

The members are requested to appoint Auditors and fix their remuneration.

As regards qualification mentioned at Sr. No. 5 (iii) the directors wish to state that in view of the ongoing discussion for restructuring the interest liability, the Company has not provided for interest on some loans.

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 'A' forming part of this report.

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, 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 : 30th May 2003

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 at its' activities does not fall under the list of Industries specified in the Schedule attached to Rule 2.

Steel Division

- Steel Melting - Saving by using refractory lined covers on the ladles. Further, there is a saving of Furnace Oil by putting these ladles again into use within 5 hours after previous heat.
- Power saving by recycling of refining slag.
- Tundish preheater burners have been provided with needle valve controlled burners which prevent flow of unburnt LDO in Hot Rolling Mill.
- Better combustion of fuel gases and lower mill scale generation by using oil additives.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Steel Division

Sr. Particulars

No.

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

- Development of Low-sulphur steel grades without use of vd/vod.
- Improvement in rolled steel surface quality by change in descaling techniques.
- Reduction in CO (Carbon Monoxide) emission in HRM Reheating Furnace.
- Reduction in scale formation in HRM Reheating Furnace by controlling excess oxygen in fuel gases.
- Elimination of longitudinal crack formation in slabs by modifying solidification of slabs.
- Width spread control by temperature profile monitoring of coils during final and pre-final passes in Steckel mill.

2. Benefits derived as a result of R & D

- Widening of product range by ability to make AP15L X65 grades.
- Spangle control of galvanized coils achieved, thereby satisfying US markets.
- Ability to use larger quantities of DRI fines, thereby controlling HR Cost.
- Re-circulation of refining slag, saving power and flux.

3. Future plan of action for R & D.

- Development of extremely low-sulphur heats for API applications without VOD
- Development of forming quality steel with guaranteed flow characteristics.

4. Expenditure on R & D

Total Expenditure : Rs. 786,646/-

1) Technology Absorption, Adaptation and Innovation :

- Replacement of safety bricks by Endless Lining in steel making ladles (project underway).
- Extension of Endless Lining concept to Working Line in steel ladles.

2) Benefits :

Ladle down-time can be brought down drastically.

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 (Rs in lacs)

	2002-03	2001-02
(a) Earnings		
a. Broke age and Commission	71.81	36.11
b. Sales including deemed exports	12287.44	2830.03
(b) Outgo		
Travelling/Books Periodicals	26.02	7.50
Imported Raw Materials, Stores & Spares, etc.	3357.25	1254.91
Interest	0.00	107.10
Brokerage & Commission	31.84	69.47
Others	2.45	0.00

For and on behalf of the Board of Directors

MUKESH R GUPTA
Chairman

Place : Mumbai
Dated : 30th May, 2003

FORM 'A'

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power & Fuel Consumption		UNIT	2002-03	2001-02
1. Electricity				
a) Purchased				
Units	Kwh		265389508	154199250
Total Amount	Rs.		864804510	555445561
Rate/Unit	Rs/kwh		3.26	3.60
b) Own Generation				
i) Through Diesel Generator				
Units	Kwh		11152	124000
Units per ltr. of Diesel Oil	Kwh/ltr		1.99	4.20
Cost/Unit	Rs/kwh		5.81	4.14
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		17575	8326
Total Amount	Rs.		164145307	73300493
Average Rate	Rs/Kl		9339	8804
b) LDO				
Quantity	Kl		1868	1530
Total Amount	Rs.		25328781	19391531
Average Rate	Rs/Kl		13562	12677
4. Others/Internal Generation				
Quantity			NIL	NIL
Total Cost			NIL	NIL
Rate/Unit			NIL	NIL
B. Consumption per unit of production		UNIT	2002-03	2001-02
1. HR PRODUCTS				
- Electricity	kwh/mt		995	1095
- Furnace Oil	ltr/mt		71	72
- LDO	ltr/mt		3	4
2. GP/GC PRODUCTS				
- Electricity	kwh/mt		1386	1521
- Furnace Oil	ltr/mt		79	82
- LDO	ltr/mt		14	16
3. CR PRODUCTS				
- Electricity	kwh/mt		1277	1351
- Furnace Oil	ltr/mt		78	82
- LDO	ltr/mt		14	16

For and on behalf of the Board of Directors

MUKESH R GUPTA
Chairman