



# **LLOYDS STEEL INDUSTRIES LIMITED**

**35<sup>th</sup>  
Annual Report  
2004 - 2005**

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

B. L. AGARWAL

P. C. SONI

B. RAVINDRANATH (IDBI NOMINEE)

S. K. SINGHAI (IFCI NOMINEE)

SAMEER PHUTANE (ICICI NOMINEE)

**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

ORIENTAL BANK OF COMMERCE

**AUDITORS**

TODARWAL &amp; TODARWAL

**REGISTRAR & SHARE TRANSFER AGENTS**

BIGSAHRE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka

Andheri (E), Mumbai- 400 072.

**REGISTERED OFFICE :**

Modern Mills Compound,  
101, Keshavrao Khade Marg,  
Jacob Circle, Mahalaxmi,  
Mumbai- 400 011.

**WORKS****Steel Division :-**

Lloyds Nagar,  
Bhugaon Link Road, Wardha.

**Engg. Division :-**

Plot No. A-5/5 & A6/3,  
MIDC Industrial Area,  
Murbad. Dist. Thane.

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## NOTICE

**NOTICE** is hereby given that the 35<sup>th</sup> Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on Saturday, the 6<sup>th</sup> day of August, 2005 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 31<sup>st</sup> March, 2005 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 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 an Ordinary Resolution :

**"RESOLVED THAT** in accordance with the provisions of Section 94 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") the Authorised Share Capital of the Company be and is hereby increased from Rs. 225,00,00,000 (Rupees Two Hundred Twenty Five Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each and 2,50,00,000 (Two Crores Fifty Lacs) Preference Shares of Rs. 10/- each to Rs. 450,00,00,000 ( Rupees Four Hundred Fifty Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each and 25,00,00,000 (Twenty Five Crores) Preference shares of Rs.10/- each."

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

**"RESOLVED THAT** pursuant to the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") the Memorandum of Association of the Company ( the "MOA") be and is hereby altered by substituting the existing clause V thereof by the following clause V :

V. The Authorised Share Capital of the Company is Rs. 450,00,00,000 ( Rupees Four Hundred Fifty Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each of the nominal value of Rs. 200,00,00,000 (Rupees Two Hundred Crores) and 25,00,00,000 (Twenty Five Crores) Preference shares of Rs.10/- each of the nominal value of Rs. 250,00,00,000 (Rupees Two Hundred Fifty Crores) with differential rights (differential rights as to dividend, voting or otherwise) with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify such Shares into any class of Shares with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the Capital of the Company and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential, deferred, qualified, convertible or special rights, privileges or conditions as may be determined by or in accordance with the regulation of the Company and to vary, modify or abrogate any such right, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company and to consolidate or sub-divide these Shares and to issue Shares of higher or lower denominations."

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

**"RESOLVED THAT** pursuant to the provisions of Section 31 (1) and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") the Articles of Association of the Company (the "AOA") be and is hereby altered and amended as follows :

Substitute the existing Article 3 of AOA by the following Article 3 :

3. The Authorised Share Capital of the Company is Rs. 450,00,00,000 (Rupees Four Hundred Fifty Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each of the nominal value of Rs. 200,00,00,000 (Rupees Two Hundred Crores) and 25,00,00,000 (Twenty Five Crores) Preference shares of Rs.10/- each of the nominal value of Rs. 250,00,00,000 (Rupees Two Hundred Fifty Crores) with differential rights (differential rights as to dividend, voting or otherwise) with the power subject to and in accordance with the provisions of the Act and these presents to the Board to decide on the extent of variation in such rights and to classify and re-classify such Shares into any class of Shares with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified, convertible or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to

vary, modify or abrogate any such rights, privileges or conditions in such manner as may be for the time being be provided by the regulations of the Company and to consolidate or sub-divide these shares and to issue shares of higher or lower denominations.

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

**"RESOLVED THAT** pursuant to and in accordance with the provisions of Section 80, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and all other applicable laws and regulation including the Securities and Exchange Board of India Guidelines, the Reserve Bank of India Guidelines, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement (s) with Stock Exchanges, on which the Shares of the Company are listed or may hereafter be listed (including any amendment thereto or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents as may be required under applicable laws and regulations and of concerned Authorities, Bodies and Agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, from time to time in one or more tranches, Redeemable Preference Shares (RPS) of Rs.10/- (Rupees Ten) each fully paid-up at par to be redeemed with a premium of 11.5% commencing from Financial Year 2016 not exceeding Rs. 234,98,00,000/- (Rupees Two Hundred Thirty Four Crores Ninety Eight Lacs Only) (the "Preference Shares") to Financial Institutions which have provided the loans and advances to the Company by conversion of part of their existing loans and advances under and by way of preferential issue on private placement basis through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion with power to settle details as to the form and terms of issue of the Preference Shares and all other terms conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by persons involved with any such issue of Preference Shares subject, however, to all applicable laws and regulations.

**RESOLVED FURTHER THAT** without prejudice to the generality of the foregoing, the Board be and is hereby authorised to prescribe in its sole discretion with respect to the aforesaid issue of the Preference Shares all or any of the terms or any combination of terms including but not limited to conditions in relation to offer, issue and allotment of Preference Shares, redemption or early redemption of the Preference Shares.

**RESOLVED FURTHER THAT** the Preference Shares so issued shall be subject to the Memorandum and Articles of Association of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board of Directors of the Company be and is hereby authorised to take all such actions, give such directions and to do all such acts, deeds, matters and things as may be necessary, desirable or incidental thereof and matters connected therewith and settle all questions and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities as it may in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members."

8. To consider and if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of sub-clause B of Clause 49 (1) of the Listing Agreement with stock exchanges, being notified on 29.10.2004 and the provisions of Section 198, 309, 310 and Schedule XIII of the Companies Act, 1956, the Consent of the Company be and is hereby accorded to the Board of Directors (hereinafter called Board) for payment of sitting fees to the Non-executive Directors including Independent Directors being the Member (s) of the Board/ Board Committees, not exceeding such sum as may be prescribed by the Companies Act, 1956 or Rules made thereunder from time to time for each meeting of the Board/ Committee(s) w.e.f. 1.4.2005.

By order of the Board

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

S. N. TIWARI  
Company Secretary

# 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. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. Documents referred to in Notice are open for inspection at the Registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday the 25<sup>th</sup> day of July, 2005 to Saturday, the 6<sup>th</sup> day of August, 2005** (both days inclusive).
6. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of the meeting to enable the Management to keep full information ready.
7. 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 Pvt. Ltd., E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, for consolidation of all such Shareholdings into one account to facilitate better services.
8. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31<sup>st</sup> 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, 2<sup>nd</sup> Floor, Dattaram Lad Path, Kala Chowky, Mumbai - 400 033.
9. Consequent upon amendment in Section 205 A 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 pertaining to financial year ended 31<sup>st</sup> March, 1996 has been transferred to the Investors Education and Protection Fund.
10. Members are requested to notify any changes in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.

## INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT

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

Name	: Mr. B. L. Agarwal
Age	: 58 years
Qualifications	: B.Com, LLB.
Expertise	: He has vast and varied experience in Steel Trade and Industry and implementation of Steel Projects.
Other Directorship	: M/s. Lloyds Metals & Engineers Ltd as Managing Director M/s. Vidarbha Power Limited as Director M/s. Aristo Realty Developers Ltd as Director

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

### Item No. 4, 5 & 6

As the Members are aware the Company is in the process of carrying out its financial restructuring which requires inter alia issue of Preference Shares. At present the Authorised Share Capital of the Company is Rs. 225,00,00,000 (Rupees Two Hundred Twenty Five Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each and 2,50,00,000 (Two Crores Fifty Lacs) Preference Shares of Rs.10/- each.

In order to accommodate the fresh issue of Preference Shares, it is proposed to increase the Authorised Share Capital of the Company to Rs. 450,00,00,000 (Rupees Four Hundred Fifty Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.10/- each and 25,00,00,000 (Twenty Five Crores) Preference shares of Rs.10/- each.

In terms of Section 16 and 31 and other applicable provisions, if any, of the Companies Act, 1956, any amendment to the Memorandum of Association and Articles of Association of the Company, requires approval of Members by way of ordinary / special resolution. The Board of Directors accordingly recommends the resolution(s) at Item No. 4, 5 & 6 for approval of Members.

None of the Directors of the Company is in any way concerned or interested in the said resolution(s).

The amended Memorandum and 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 working days of the Company till the date of meeting.

### Item No. 7

The Company has arrived at a negotiated settlement with its existing Lender (Financial Institution who have provided loans and advances to the Company) for conversion of part of their existing debt into Redeemable Preference Shares (RPS) in the Company as part of restructuring of the Company's debt.

The Main terms of the Preference Shares proposed to be issued are as under :-

- i) The RPS will be redeemed with a premium of 11.5% in 6 annual installments commencing from Financial Year 2016.
- ii) RPS shall be having face value of Rs.10/- per share.
- iii) The RPS will not carry any right to dividend.

Section 81 of the Companies Act, 1956 and Listing Agreement with Exchanges, provides, inter-alia, that where it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the persons who at the date of offer are holders of the Equity Shares of the Company in proportion to the capital paid-up on those Shares as of that date, unless the shareholders in general meetings decides otherwise. The Special Resolution seeks, the consent of the Shareholders authorising the Board of Directors to issue / allot Redeemable Preference Shares (RPS) on preferential basis through Private Placement.

The Board of Directors recommends the resolution(s) set out at Item No.7 of the accompanying Notice for approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution(s).

### Item No. 8.

The SEBI vide its letter No.SEBI/CFD/DIL/CG/12004/12/10 dated 29<sup>th</sup> October, 2004 has amended the Clause 49 of the Listing Agreement between the Company and the Stock Exchanges. As per sub-clause B of the amended clause 49 (1) all fees/compensation if any paid to Non-executive Directors including Independent Directors shall be fixed by the Board of Directors with the previous approval of Shareholders in General Meeting. The Company at present pay Rs.1000/- per Board/Committee meeting (s).

The Company is not paying any other compensation to its Non-executive Directors including Independent Directors except payment of sitting fees.

In order to comply with the requirement of amended Clause 49, the resolution No. 8 is placed for your approval by way of Ordinary resolution.

The payment of sitting fees to Non-executive Directors including Independent Directors shall not be exceeding such sum as may be prescribed by the Companies Act or Rules made thereunder from time to time for each meeting of the Board/Committee(s) w.e.f. 1.4.2005.

None of the Directors other than the Non-executive Directors including Independent Directors is in anyway interested or concerned in the said resolution(s).

By order of the Board

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

S. N. TIWARI  
Company Secretary



## DIRECTORS' REPORT

The Directors present their 35<sup>th</sup> Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2005.

### FINANCIAL HIGHLIGHTS

	Current Year 2004-05 (Rs. In Lacs)	Previous Year 2003-04 (Rs. In Lacs)
Sales :	151799.39	86281.18
Other Income	96.04	1051.51
Total Income :	151894.43	87332.69
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	18215.23	5551.27
Less : Finance Charges	2309.35	876.76
Depreciation	10925.88	10963.99
Profit / (Loss) before exceptional items & taxes	4979.99	(6289.48)
Add : Exceptional items (Net)	7155.23	5843.22
Profit/(Loss) before tax	12135.22	(446.26)
Tax Provision	0.00	0.00
Profit / (Loss) after Tax	12135.22	(446.26)
Add: Prior Period Income	88.73	338.40
Net Profit/ (Loss)	12203.95	(107.86)
Profit / (Loss) b/f from previous year	(121064.88)	(120957.01)
Balance Carried Forward	(108860.93)	(121064.88)

### DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31<sup>st</sup> March, 2005.

### OPERATIONS & OVERALL PERFORMANCE

The Steel Industry has seen a steady improvement in demand and prices during the year under review thereby enhancing realizations. The Company managed to put in a improved financial performance during the year with a Turnover of Rs.1517.99 crores as against Rs.862.81 crores in the previous year, showing a rise of 76%.

The improvement in prices and demand in steel market continued in the third year in a row. The industry has been in a position to pass on the increase in input cost to customers which has moved up in a major way throughout the year. The Company, could record better volumes during the year helped by strong demand. In the wake of improved margins and volumes, the Company recorded a cash profit of Rs.159.06 crores compared with Rs.46.75 crores during the preceding year showing an increase of 240%. The Company, after reporting losses during last few years, posted a net profit at Rs.121.35 crores during the year as compared with previous year loss of Rs.4.46 crores after providing depreciation of Rs.109.26 crores (Previous year Rs.109.64 crores).

### Debt Restructuring

On the restructuring/settlement of debts with the Financial Institutions and Banks, the Company made reasonable progress. During the year, debt liabilities of over Rs.1078 crores has been restructured which resulted in a reduction of debt of over Rs.258 crores for the Company. This has brought down the debt servicing cost substantially with some of the loans restructured as non interest bearing. The Company has been regular in making payments to its Lenders in accordance with the restructured terms and has paid off Rs.88.93 crores during the year towards past Debt liabilities apart from servicing regular interest on such debt. The Restructuring proposals are under various stages of discussion with remaining lenders.

As per the Debt Restructuring arrangement with IDBI, company has to issue preference shares at par of Rs.234.98 crores against part conversion of debt liabilities. These Preference Shares will be redeemed with a premium of 11.5 % commencing from 2016. The necessary resolution is incorporated in the Notice convening the Annual General Meeting for approval of the members. Your Directors are of the view that the conversion of debt into preference shares is beneficial to the Company as this will strengthen the Network of the company.

### Steel Division

The Steel Division during the year under review has reached a turnover of Rs.1471.77 crores as against the previous year figure of Rs.838.65 crores registering a quantum growth of 75%. The Input costs have been rising on a constant basis resulting into increasing cost of production. The steady market helped the Company to pass on these increases. The Export of the division during the year was at Rs.158.49 Crores as against Rs.112.66 crores recorded during the previous year.

### Engineering Division

The Division during the year under review has recorded sales of Rs. 46.22 crores as compared to the previous year of Rs. 24.16 crores. The Export of the division during the year was at Rs. 22.04 crores as against Rs. 4.29 crores recorded during the previous year. The increase in sales is due to revival of the industry and successful completion of many jobs. The Division during the year has successfully executed jobs for many reputed PSUs amongst others. The Division has secured good orders for setting up Sponge Iron Plants and has also secured an order for setting up a Pelletization Plant. The Division, continues to support the supply of spares and services to Navy, Coast Guard, Mumbai Port Trust, GRSE and major Oil and Gas sector Companies.

### MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is manufacturing and marketing Iron and Steel products and manufacturing capital equipments and turnkey projects. The Management discussions and analysis is given hereunder :-

- Industry structure and development :** Steel industry after going through a turbulent time between 1997 and 2001, has started coming back on its feet on back of strong domestic economic growth and global revival. Similarly the engineering business of the company has also seen a revival.
- Opportunities and threats:** High economic growth and infrastructure development in the country would offer opportunities and the Company would continuously try to remain competitive to take advantage of opportunities coming its way.
- Segment-wise performance:** The Company is mainly in the business of manufacturing Steel and Capital Equipments and Turnkey Projects. The Company has no activity outside India except export of products manufactured in India. Segment wise performance is given at Note No. 17 of Schedule Q i.e. Notes on Accounts.
- Outlook:** The outlook for the steel industry depends on global steel prices which have recently shown some signs of softening after remaining firm throughout the previous year. However strong domestic economic growth and a global revival will give impetus to growth of the industry. For Engineering Industry, the Current year appears to be more encouraging and promising. The division is participating in the tenders of major public sector undertaking amongst various other companies.
- Risk and concerns:** The year under review has been a good one for the Indian steel industry. The Company's market development, order procurement and supply management have been re-engineered and new practices adopted at all levels. Technological obsolescence is an inherent business risk and fast adaptability to change is crucial for survival of business. The Company undertakes continuous modernisation programme to maintain efficient operations.
- Internal control system:** The Company maintains adequate internal control systems, which provide adequate safeguards and proper monitoring of the transactions. The Company has appointed an Internal Auditor who reports to the Managing Director and Audit Committee of

the Board. The Internal Auditor conducts monthly audits to ensure that the Company's control systems are adequately followed and all statutory requirements are complied with.

- g) Discussion on financial performance with respect to operating performance:** The operating performance of the Company has been discussed in Directors Report under the head 'Financial Highlights and Operations and Overall Performance' in the current year.
- h) Human resources and industrial relations:** During the year under review the Employee/Industrial relations at all units and job sites remained cordial. Steps are taken continuously by the Company for training its employees in various disciplines. Despite continuing working capital constraints, morale of the employees remained high. Number of employees as on 31<sup>st</sup> March, 2005 was 1331.
- i) Cautionary Statement:** The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

#### 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.

#### REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29<sup>th</sup> June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No.3 (L-7) BC/2001 dated 11<sup>th</sup> July 2001. The company had received a number of objections from the Secured Creditors to the reference and which were suitably replied by the Company. The matter came up for hearing before the Hon'ble BIFR for consideration of the sickness on 28<sup>th</sup> October, 2003, whereat ICICI Bank was appointed as Operating Agency (OA).

In the meanwhile, the Company has filed reference based on Results of Financial Year ended 31.03.2002, 31.3.2003 and 31.3.2004 and same came to be registered as Case No. 22/2003, 51/2004 and 354/2004.

#### INVESTOR SERVICES

The Company and its Registrars M/s. Bigshare Services Private Limited, who is looking after the physical as well as Demat work and also shareholders correspondence in terms of SEBI direction, for having a common Registrar and Share Transfer Agent, endeavored their best to service the Investors satisfactorily.

#### DIRECTORS

Shri S K Singhai has been appointed as Nominee Director by IFCI Ltd on the Board of the Company with effect from 28<sup>th</sup> October, 2004. Shri B Ravindranath has been appointed as Nominee Director by IDBI Ltd on the Board of the Company with effect from 29<sup>th</sup> April, 2005

The Directors take pleasure in welcoming Shri S K Singhai and Shri B. Ravindranath who are possessing rich and varied experience and are sure that Company will be benefited immensely with their presence on Board.

Shri B L Agarwal, 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 31<sup>st</sup> March 2005, 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 Clause 49 of the Listing Agreement your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance and the Auditor's Certificate on its compliance are annexed hereto and forms part of this Annual Report.

#### ENVIRONMENT & SOCIAL OBLIGATION

The Company's 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 endeavoring to improve the quality of life in the communities surrounding its industrial complex.

#### PUBLIC 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 at Sr.No.4 (e) in the Auditors' Report, Directors wish to state that in view of the ongoing discussion for restructuring of the debt and interest liability, the Company has not provided for interest on some loans. Auditors' observations in Clause No. 9, 10 & 11 in the Annexure Audit Report (CARO Report) are self explanatory and do not require further explanation.

#### 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 acknowledges their contribution.

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

**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**

- Better slag making techniques have resulted in prevention of heat loss through radiation in Electric Arc Furnace.
- Ladles have been lined with ceramic blankets along with insulation bricks to reduce heat loss and also heat size had been increased for better productivity.
- Change in design, capacity and location of Descale Assembly has resulted in plates with improved surface finish.
- Controlled coiling temp. practice of coils has improved elongation and forming properties.

**(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION****Research & Development (R & D)****Steel Division****Sr. Particulars****No.**

- Specified areas in which R & D carried out by the Company**
  - Improvement in mechanical properties of forming quality steel grades.
  - Logic of reheating furnace firing based on Oxygen levels in different zones of Reheating furnace.
  - Reduction in refractory consumption by selection of high density magnesia carbon bricks.
- Benefits derived as a result of R & D**
  - Improvement in the forming quality of steel
  - Productivity improvement of reheating furnace.
  - benefit on account of lesser scale formation by 0.25%.
- Future plan of action for R & D.**
  - Development of stainless steels grades through AOD\_LRF\_CCM route.
  - Techniques for lowering Nitrogen in Steel.
  - Change in roll cooling practice for obtaining longer Campaign life.
- Expenditure on R & Ds**  
Expenses on R & D Rs. 8.08 Lacs.
  - Technology Absorption, Adaptation and Innovation :**  
Furnace atmosphere control in HRM leading to saving in fuel.
  - Benefit :**  
Improved width with control in HRM.
  - NOT APPLICABLE**

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The details of Foreign Exchange Earnings and Outgo are as under

(Rs In Lacs)

	2004-05	2003-04
(a) <b>Earnings</b>		
a. Brokerage and Commission	16.25	6.78
b. Exports	18052.74	11695.36
(b) <b>Outgo</b>		
Travelling/Books Periodicals	61.36	28.55
Imported Raw Materials, Stores & Spares, etc.	18189.08	7436.69
Interest	433.70	401.17
Brokerage & Commission	23.62	63.16
Others (Legal Charges)	NIL	26.10

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

MUKESH R GUPTA  
Chairman

**FORM 'A'****ANNEXURE - A**

Form for Disclosure of Particulars with respect to Conservation of Energy

**A. Power & Fuel Consumption****1 Electricity****a) Purchased**

UNIT	2004-05	2003-04
Units	Kwh 441638172	353833206
Total Amount	Rs. 1404947449	1068371334
Rate/Unit	Rs/kwh 3.18	3.02

**b) Own Generation****i) Through Diesel Generator**

Units	Kwh 3804	5664
Units per ltr. of Diesel Oil	Kwh/ltr 2.08	2.09
Cost/Unit	Rs/kwh 18.28	11.22

**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 23950	22949
Total Amount	Rs. 252760198	235917479
Average Rate	Rs/Kl 10554	10280

**b) LDO**

Quantity	Kl 2346	1915
Total Amount	Rs. 48737204	30610740
Average Rate	Rs/Kl 20772	15982

**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 937	1003
- Furnace Oil	ltr/mt 54	72
- LDO	ltr/mt 3	12

**2 GP/GC PRODUCTS**

- Electricity	kwh/mt 1387	1430
- Furnace Oil	ltr/mt 61	84
- LDO	ltr/mt 11	12

**3 CR PRODUCTS**

- Electricity	kwh/mt 1304	1294
- Furnace Oil	ltr/mt 61	81
- LDO	ltr/mt 11	11

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

MUKESH R GUPTA  
Chairman



## CORPORATE GOVERNANCE

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Board of Directors of **Lloyds Steel Industries Limited**

We have reviewed implementation of Corporate Governance procedure set by Lloyds Steel Industries Limited ("The Company") for the year ended 31<sup>st</sup> March, 2005 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For **Todarwal & Todarwal**  
Chartered Accountants

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2005

**Sunil Todarwal**  
Partner

### CORPORATE GOVERNANCE

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to pursue objective that are in the best interest of the Company and its shareholders.

#### 2. BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of :-

Promoter Directors 3

Non-executive – Nominee Directors

Representing IDBI, IFCI & ICICI Bank Ltd. 3

Non-executive Independent Director 1

Attendance of each Director at the Board of Directors meetings and the last AGM is as follows.

Director	No. of meeting held	Attended	Last AGM Attended	No. of Directorship on other public Company	Remarks
Mr. Mukesh R. Gupta	4	4	Yes	2	—
Mr. Rajesh R. Gupta	4	4	Yes	2	—
Mr. B. L. Agarwal	4	4	Yes	3	—
Mr. P. C. Soni	4	4	Yes	1	—
Mr. T. B. Ananthanarayanan	4	4	No	—	—
Mr. Sameer Phutane	4	3	No	—	—
Mr. P. Kar	4	2	No	5	Ceased to be Director w.e.f. 28.10.2004
Mr. S. K. Singhai	4	1	No	—	Appointed w.e.f. 28.10.2004

Number of Board of Directors meeting held and the dates on which held.

4 (Four) Board Meetings were held during the year. The dates on which the meetings were held were 30<sup>th</sup> May 2004, 29<sup>th</sup> July 2004, 28<sup>th</sup> October 2004 and 31<sup>st</sup> January 2005.

#### 3. AUDIT COMMITTEE

As per revised Clause 49 of the Listing Agreement, the Company had re-constituted Audit Committee comprising of 4 Directors with 3 Independent Non-executive Directors, including 2 Nominee

Directors as follows :

Mr. P. C. Soni - Chairman	Independent Director
Mr. B. L. Agarwal	Promoter Director
Mr. Sameer Phutane	ICICI Bank Nominee Director
Mr. T. B. Ananthanarayanan	IDBI Nominee Director

The broad terms of reference of Audit Committee are as follows :-

Review of internal control and audit system.

Review of the Company's financial progress and report.

Review of the Company's working capital and loan position

Review of the Company Division wise activities and the operation performed at the divisional level.

Review of the Company's sales policies and the debt recovery

Review of the Company purchase, consumption of raw material and other stores.

Review of Risk Management policies and practices.

The Committee has met 4 times during the financial year ended March 31<sup>st</sup> 2005 i.e. 30<sup>th</sup> May 2004, 30<sup>th</sup> July, 2004, 28<sup>th</sup> October, 2004 and 31<sup>st</sup> January, 2005. The attendance of the members are as under :-

Name of Director	No. of Meetings	No. of Meetings Attended held	Remark
Mukesh R Gupta	4	4	-
B L Agarwal	4	4	-
P C Soni	4	4	-
T B Ananthanarayanan	4	4	-
Sameer Phutane	4	3	-

#### 4. REMUNERATION COMMITTEE

The Remuneration of Director in all the cases is decided by the Board subject to necessary approval of shareholder and other applicable approvals, if any. Save and except Mr. Rajesh R Gupta, Managing Director, no other director is drawing remuneration.

The Company has constituted a Remuneration Committee of the Board comprising of three (3) Non-executive Independent Directors. The Committee shall have powers to determine remuneration packages of Working Directors and the Company's policy on remuneration and any other compensation related matters.

During the year Mr. Rajesh R Gupta, Managing Director has been paid as per schedule XIII of the Companies Act, 1956 aggregate remuneration of Rs. 25.44 Lacs by way of Salary, Remuneration & contribution to Provident Fund. The remuneration paid to Managing Director from 1<sup>st</sup> January, 2005 onwards is subject to the approval of Central Government for which necessary application has been made.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

#### 5. SHAREHOLDERS' / INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

The Company has constituted the Shareholders' / Investors' Grievance & Share Transfer Committee comprising of 3 Directors. Mr. Mukesh R. Gupta, Mr. B. L. Agarwal and Mr. Rajesh R Gupta are the members of this committee.

The Committee oversees the performance of the Registrar and Transfer Agents', recommend measures to improve the level of investor services and matters pertaining to shareholders' complaints and grievances.