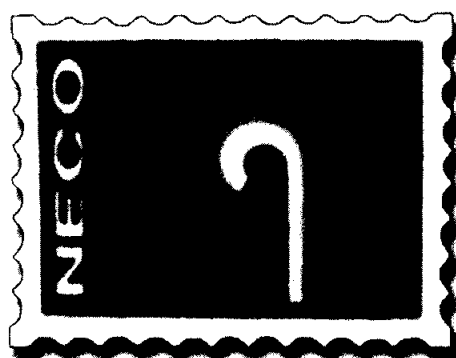


27TH ANNUAL REPORT 1999

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Jayaswals Neco Limited

SHAREHOLDER INFORMATION

No. of Shareholders	31545
Listing on	The Stock Exchange of India Ltd., Mumbai The National Stock Exchange of India Ltd., Mumbai.
Book Closure Dates	28th June, 2000 to 30th June, 2000. (Both days inclusive)
Annual General Meeting	Friday, the 30th June, 2000 at 11.30 A.M.
Venue	F-8, MIDC Industrial Area, Hingna Road, Nagpur - 440 016

**BOARD OF DIRECTORS**

Shri Basant Lall Shaw	:	Chairman.
Shri B K Agrawal	:	Director. (Finance).
Shri M M Vyas	:	Director.
Shri K R Sangameswaran	:	Director.
Shri A S Kapre	:	Director (ICICI Nominee).
Shri H S G Shetty	:	Director (IDBI Nominee).
Shri Manoj Jayaswal	:	Joint Managing Director.
Shri Ramesh Jayaswal	:	Joint Managing Director.
Shri Arbind Jayaswal	:	Managing Director.

SECRETARY

Shri A D Karajgaonkar

BANKERS

State Bank of India.
Punjab National Bank.
The Vysya Bank Ltd.
Union Bank of India.
State Bank of Travancore.

AUDITORS

M/s V R Inamdar & Co.
Chartered Accountants - Nagpur
M/s Agrawal Chhallani & Co.
Chartered Accountants - Nagpur
M/s Chaturvedi & Shah
Chartered Accountants - Mumbai

REGISTERED OFFICE

F/8, MIDC Industrial Area,
Hingna Road, Nagpur - 440 016.
Tel. No. : (07104) - 37276, 37471, 37472.
Fax No. : (07104) - 37583, 36255.
E Mail : contact@necoindia.com
Web Site : www.necoindia.com

WORKS

- | | | |
|-----------------------------------|---|---------------------------------------|
| 1. Construction Castings Division | - | Bhilai and Anjora (Madhya Pradesh). |
| 2. Centricast Division | - | MIDC Area, Hingna Road, Nagpur. |
| 3. Engineering Castings Division | - | MIDC Area, Hingna Road, Nagpur. |
| 4. Automotive Castings Division | - | Butibori, Nagpur. |
| 5. Steel Plant Division | - | Raipur, (Madhya Pradesh). |
| 6. Food Products Division | - | Wadoda, Nagpur-Bhandara Road, Nagpur. |



NOTICE

NOTICE is hereby given that TWENTY-SEVENTH Annual General Meeting of the Members of JAYASWALS NECO LIMITED will be held on Friday, the 30th June, 2000 at 11.30 AM at the Registered Office of the Company at F/8, MIDC Industrial Area, Hingna Road, Nagpur - 440016 to transact the following business :

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st December, 1999 and Profit and Loss Account for the year ended on that date and the reports of the Auditors and Directors thereon.
2. To appoint Directors in place of the following Directors, who retire by rotation and being eligible, offer themselves for re-appointment.
 1. Shri Manoj Jayaswal
 2. Shri Ramesh Jayaswal
3. To appoint Auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED in pursuance of Section 293(1)(a), and other applicable provisions of the Companies Act, 1956 THAT consent of the Company be, and is, hereby granted to the Board of Directors of the Company, to sell, lease, dispose off in any other manner the Company's all or any of the Immovable Properties, Buildings, Structures, Solvent Extraction Plant and Refinery and other Plant and Machineries under its Food Products Division to such persons, Institutions,

Bodies Corporate or any other entity, at such price and on such terms and conditions, as may be deemed fit in that regard, and further that the Board of Directors of the Company be, and is also, hereby authorised to take permissions, consents, etc. as may be required by the Financial Institutions and Banks for the purpose of disposal of whole of the undertaking or substantially the whole of the undertaking of the Company referred to herein above.

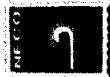
"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or Committee thereof, be and is, hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements, as may be required, and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to sale, lease, disposal of undertaking or part thereof as aforesaid."

By Order of Board of Directors,
A D KARAJGAONKAR
 Secretary.

Registered Office:
 F/8, MIDC Industrial Area,
 Hingna Road,
 NAGPUR-440016.
 25th May, 2000.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.



2. Register of Members and Share Transfer Books of the Company shall remain closed from 28th June, 2000 to 30th June, 2000 (both days inclusive).
3. The Members are requested to write to the Company for consolidation of Folio Nos. corrections, changes in their Registered Addresses wherever required, and the particulars of their Bank Account and Branch immediately.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Item No. 4 is attached.
5. **THE MEMBERS OF THE COMPANY WHO WERE THE SHAREHOLDERS OF THE ERSTWHILE NAGPUR ALLOY CASTINGS LIMITED AND JAYASWALS NECO LIMITED, SHOULD NOTE THAT THE EQUITY SHARES OF THOSE ERSTWHILE COMPANIES ARE, IN VIEW OF AMALGAMATION, CANCELLED, AND DE-LISTED FROM STOCK EXCHANGES. THE TRANSFER REQUESTS IN RESPECT OF THESE SHARES ARE NOT ENTERTAINED BY THE COMPANY. THEY ARE TO BE EXCHANGED WITH NEW SHARES OF THIS AMALGAMATED COMPANY. THOSE WHO HAVE NOT YET SURRENDERED THEIR ALL THE ORIGINAL SHARE CERTIFICATES OF THOSE COMPANIES FOR CANCELLATION, ARE ONCE AGAIN REQUESTED TO GET THEM EXCHANGED FROM THE REGISTERED OFFICE OF THE COMPANY. THE NEW CERTIFICATES OF THE COMPANY WILL BE ISSUED IN EXCHANGE AGAINST THE SURRENDER/CANCELLATION OF THE OLD CERTIFICATES ONLY. (PLEASE REFER CLAUSE 12 OF THE SCHEME OF AMALGAMATION).**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM No. 4

The Members are aware that the Company's core business of manufacturing and selling Cast Iron and other Castings for various applications is extending to newer products. Solvent Extraction and Refining of crude oil, on account of Government Policies of allowing the imports of oil at concessional rates of Duty are causing a considerable setback to the entire Solvent Extraction Industry. The Company's operations under this Division are, of late, turning out to the unviable and the Company may have to sustain further losses. Thus, these operations do not appear to have promising future for the Company. The Directors therefore have decided to sell/lease out the manufacturing facilities under this Division so as to be able to concentrate more on the core business of the Company.

Approval of members Under provisions of Section 293 (1)(a) and other applicable provisions of the Companies Act, 1956 is solicited for the disposal of all or any of the immovable properties, plant and machineries, and refinery under the Food Products Division of the Company.

The Directors recommend passing of the Resolution. None of the Directors are to be deemed as interested or concerned with the Resolution.

By Order of Board of Directors,
A D Karajgaonkar
Secretary.



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DIRECTORS' REPORT

Dear Members,

The Directors present their TWENTY-SEVENTH Annual Report on the affairs of the Company together with the Audited Accounts for the year ended 31st December, 1999. The summarised financial results for the year vis-a-vis the previous year are as follows :

	(Rs. in Lacs)	
	1999	1998
Total Income	46851	44481
Total Expenditure	39802	37846
Profit before Interest		
Depreciation & Tax	7049	6635
Interest	6611	4622
Profit after interest	438	2013
Depreciation	1997	1740
Profit Before Tax	(1559)	273
Profit After Tax	(1559)	269
Balance Brought forward and other		
Adjustments	467	1300
Total Surplus	(1092)	1569
Transfer to debenture		
Redemption Reserve	222	1277
Proposed Dividend	-	18
Provision for Dividend Tax	-	2
Balance Carried to next year	(1314)	272

During the year under review, Company has, incurred losses for the first time in the last twenty years. The following paragraphs deal with this matter elaborately. In view of the losses, the Directors regret their inability to recommend any Equity or Preference Dividend to the members of the Company.

2. OPERATIONS:

During the year under review, the overall recession in all the spheres of economy, especially in Iron & Steel and Edible Oil Industry, caused a considerable set back in the operations of the Company. The selling prices of the Company's products continued to reel under pressure thereby forcing the Company to sell the products with little margins.

Timely sanctions for adequate Working Capital did not come in and liquidity problems hampered Company's commitments to Institutions. This led to additional burden by way of Penal Interest etc. As can be seen from the financial results, high interest cost is a major component

of the losses for the year under review. The old contractual rates of interest admitted by the Company at the time of loan documentation are much higher as compared to current lending rates of institutions and banks.

Further, the Company has been untiringly pursuing for the captive mining rights for Iron Ore in the vicinity of its Pig Iron Plant in M.P. which was envisaged right at the stage of conceiving this Project. While, the state Government and other departments of Government of India have approved the matter, only one department of Government of India is yet to give necessary clearances. Thus, the Company is deprived of the opportunity of substantial savings in the cost of raw materials. Blast Furnace based Integrated Steel Plant is location specific, based on nearby availability of Iron Ore. It can not sustain long transportation costs for large quantity of raw materials that increases cost of production tremendously.

Solvent Extraction Plant and Refinery under the Food Products Division of the Company, however, operated at a low profile. This was, due to lack of parity in the operations of the said Division. Government Policy for allowing imports of oil at concessional tariff caused a damage to whole of the domestic industry. The Directors have decided to offer these facilities/operations for sale/lease, on suitable terms. The matter is under active consideration.

In other Divisions of the Company, the operations were near normal, however, the selling prices were under pressure.

Nevertheless, the Company, as can be seen from the operational results, performed better for the year. Total Income and Profit before Interest, Depreciation & Tax during the year were up by about 5% and 6% respectively over the previous year.

With a view to combat situation, the Company has embarked upon cost reductions on all fronts wherever possible. Reduction of interest rates on some of the loans, and strict austerity measures taken during the year have helped minimising losses.

The erection schedule of the ongoing project at Butibori for critical, high value, heavy Castings for automobiles has been re-worked. Arising out of additional manufacturing facilities and other factors, the Financial Institutions have approved the revised cost of project, at Rs. 121 Crores. In view of the change in the scope of the project, the target date for commercial production has now been revised to end of September 2000; as per re-appraisal.

A major share in Income and operations of the Company



JAYASWALS NECO LIMITED

Formerly known as Nagpur Engineering Company Limited

comes from Steel Plant Division, where the capacity utilisation was, even under the adverse conditions, 102%. The situation during the current year has started looking up. The selling prices for Pig Iron are showing upward trends. Recently Government of India has exempted Pig Iron manufacturers from payment of Anti Dumping Duties on Metcoke imported from China. This will facilitate considerable economy in cost of production of Pig Iron. Besides, the operations in other Divisions of the Company have also picked up. The Directors are hopeful that with the continued improving conditions in the market, the Company shall be able to show better results during the current year.

3. ISO 9002 :

The Members would be glad to know that, Company's sustained policy of maintaining high quality standards has been recognised. Engineering Castings Division, Centricast Division and Steel Plant Division of the Company have been granted ISO 9002 certification, which has helped to instill customers' confidence in the products and their quality.

4. FUTURE PLANS :

As a part of long term plans for growth, and achieving value addition, the Directors have considered and are now looking forward to set up down the stream facilities for manufacture of Alloy and Special Steel and other products. The details are being worked out. The Directors are also exploring other possibilities of collaborating with domestic and international agencies towards achieving the same goals.

5. SUBSIDIARY COMPANY :

With a view to offer better services to the customers in the United States as well as expand Export market further, a new Company has been formed in the United States of America. This Company incorporated under the name and style 'NECO GLOBAL INC.' in the State of Texas, USA on 23.11.99 under the US Laws will be a Wholly Owned Subsidiary Company. The Directors have planned for marketing the Company's products in the US markets through this Wholly Owned Subsidiary and thereby carve out a good share for the Company's products in US Markets. The said Company is yet to issue shares and commence its operations, as such; other particulars on this Company are not given.

6. Y2K

The Directors are pleased to mention that the switch over of the Company's operations and systems into the Year

2000 has passed off without any problems on 'Y2K' related issues.

7. DIRECTORS :

During the year under review, there was no change in the composition of Board of Directors of the Company. S/Shri Manoj Jayaswal and Ramesh Jayaswal, Directors are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

8. AUDITORS :

M/s. V R Inamdar & Co., Chartered Accountants, Nagpur, M/s. Agrawal Chhallani & Co, Chartered Accountants, Nagpur; and M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai the Auditors of the Company are due to retire at the ensuing Annual General Meeting. Being eligible, they offer themselves for re-appointment for the current year. The Members are requested to appoint the Auditors and fix their remuneration.

9. PARTICULARS OF EMPLOYEES :

The particulars of employees to be furnished under Section 217 (2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975, as amended, have been given separately and form a part of this Report.

10. ADDITIONAL INFORMATION :

The information required to be furnished under Section 217(1)(e) of the Companies Act, 1956, and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is attached and forms a part of this Report.

11. ACKNOWLEDGEMENTS :

The Directors wish to place on record, their appreciation and gratitude for all the co-operation extended by Government Agencies, Bankers, Financial Institutions, Collaborators, Consultants, Business Associates and Shareholders. The Directors also record their sense of appreciation for the dedicated services rendered by all the Executives, Staff and Workers of the Company at all levels for their valuable contribution in the working of the Company.

By Order of Board of Directors,

Nagpur
25th May, 2000.

B L SHAW
Chairman.



ANNEXURES TO THE DIRECTORS' REPORT

1. PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31ST DECEMBER 1999.

I. CONSERVATION OF ENERGY.

- A) The Company recognises the importance of savings in the cost of Energy Consumption. High Efficiency, energy effective equipments for Steam Generation, Water Softening etc., have been installed at various manufacturing units which ensure stabilised power supply, minimum interruptions and smooth operations.
- B) Effective methods like, Furnace cover, replacement of existing equipments with more energy saving devices, Installation of devices to plug the leakages and loss of energy, standardization of processes and other steps have been taken wherever possible giving a considerable saving in consumption of energy.
- C) The Blast Furnace Gases are extensively utilised for pre-heating of the hot blast stoves, blowing plant in the boilers and as a fuel for generation of Power for captive consumption and sale to others.

Form for disclosure of particulars with respect to conservation of energy.

(a) Power and Fuel Consumption.

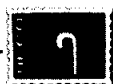
Particulars	Electricity			Furnace Oil			Coal/Coke		
	Units (KWH in Lacs)	Total Amount (Rs.in Lacs)	Rate/Unit (Rs.)	Units (KL.)	Total Amount (Rs.in Lacs)	Rate/Unit (Rs.)	Units (MT.)	Total Amount (Rs.in Lacs)	Rate/Unit (Rs.)
A) PURCHASED									
Iron & Steel Castings	213.25 (188.36)	868.29 (781.40)	4.07 (4.14)	- (-)	- (-)	- (-)	12387 (12267)	399.01 (368.76)	3221.19 (3006)
Pig Iron	7.42 (11.24)	86.96 (90.34)	11.72 (8.03)	1190 (1510)	113.37 (106.27)	9527 (7037)	266590 (264084)	13063.45 (11281.71)	4900 (4272)
Soya Oil, De-oiled Cakes	13.60 (12.47)	62.52 (54.63)	4.60 (4.38)	- (-)	- (-)	- (-)	2186 (4067)	31.63 (44.97)	1447 (1105)
B) OWN GENERATION									
Pig Iron	222.00 (280.54)	588.31 (743.42)	2.65 (2.65)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

(b) Consumption / Unit of Production

Particulars	Electricity KWH	Furnace Oil Ltrs.	Coal/Coke Kg.
Iron & Steel Castings	468.92 (411.85)	- (-)	272 (268)
Pig Iron	60.19 (75.61)	3.12 (3.91)	699 (684)
Soya Oil, De-Oiled Cakes	62.98 (48.45)	- (-)	101 (158)

II Technology Absorption

The Company has adopted latest technology in Collaboration with Shougang International Trade and Engineering Corporation, Beijing, China, of manufacture of Pig Iron through Blast Furnace Route. Also, the Plant under Automotive Castings Division (under erection) has been imported from Schubert & Salzer, Germany.



JAYASWALS NECO LIMITED

Formerly known as Nagpur Engineering Company Limited

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

	1999 (Rs. in Lacs)	1998 (Rs. in Lacs)
i) Foreign Exchange earned :		
Export of goods on FOB basis	330.40	362.31
ii) Foreign Exchange used :		
Technical Know-how	-	10.10
Purchase of Raw Material	9370.78	9466.74
Travelling	6.20	14.93
Export Promotion	5.96	1.71
Membership and Subscription	0.17	0.24
Interest	701.40	847.43

Nagpur
25th May, 2000.

By Order of Board of Directors,
B L SHAW
Chairman.

2. PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED.

Employees who were in receipt of remuneration for the financial year in the aggregate of not less than Rs.6,00,000/- if employed throughout the year and Rs.50,000/- p.m. if employed for part of the year.

Sr. No.	Name of Employee	Designation	Age Yrs.	Qualification	Experience Yrs.	Remuneration Rs.	Last Employment	Date of Appointment
1.	B L Shaw	Director/Chairman	66	B.Com.	46	11,92,813	Mg. Director, Nagpur Alloy Casting Limited	1.1.1998
2.	Arbind Jayaswal	Managing Director	47	B.Sc.	27	10,84,868	Mg. Director, Jayswals Neco Limited	1.1.1998
3.	Manoj Jayaswal	Joint Managing Director	45	M.Com.	23	10,59,899	Mg. Director, Corporate Ispat Alloys Limited.	1.4.1994
4.	Ramesh Jayaswal	Joint Managing Director	40	B.Com.	17	10,32,000	Whole-Time Director, Nagpur Alloy Castings Limited.	1.1.1998

NOTES :

- Gross remuneration comprises of salary, allowances, monetary value of perquisites, Company's contribution to Provident Fund etc.
- The terms of S/Shri Arbind Jayaswal, Manoj Jayaswal and Ramesh Jayaswal as per their agreement of appointment with the Company are for a period of 5 years, w.e.f. 1.1.1998 and the agreement of appointment Shri B L Shaw is for life.
- S/Shri B L Shaw, Arbind Jayaswal, Manoj Jayaswal and Ramesh Jayaswal, are related to each other.
- The remuneration drawn by S/Shri B L Shaw, Chairman, Arbind Jayaswal, Managing Director, Manoj Jayaswal, Joint Managing Director and Ramesh Jayaswal, Joint Managing Director, is in conformity with the provisions of Schedule XIII to the Companies Act, 1956.

Nagpur
25th May, 2000.

By Order of Board of Directors,
B L SHAW
Chairman.

AUDITORS' REPORT

We have audited the attached Balance Sheet of JAYASWALS NECO LIMITED as at 31st December, 1999 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section 3 (C) of section 211 of the Companies Act, 1956.
3. Attention is invited to the following :
 - i. Note No. 4 in Schedule 17 regarding Doubtful Debtors and Advances amounting to Rs. 288.70 lacs and 145.24 lacs respectively.
 - ii. Note No.8 in Schedule 17 relating to Provision for Income-tax.
 - iii. Note No. 11 in Schedule 17 regarding segregation of balances outstanding of Small Scale Industries (SSIs) from the Creditors balances.
4. Subject to our comments in para 3 above, we report that :
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 1999; and
 - ii) in case of the Profit and Loss Account, of the Loss for the year ended on that date.

For V R Inamdar & Co
Chartered Accountants

A W Rajandekar
Partner
Nagpur
25th May, 2000.

For Agrawal Chhallani & Co
Chartered Accountants

S R Chhallani
Partner
Nagpur
25th May, 2000.

For Chaturvedi & Shah
Chartered Accountants

D Chaturvedi
Partner
Mumbai
25th May, 2000.

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. According to the information and explanations given to us a major portion of the assets has been physically verified by the Management in accordance with a phased programme of verification and no material discrepancies were noticed on such verification, as compared to the available records. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets.
2. None of the Fixed Assets have been revalued during the year.
3. As explained to us, the stock of stores, spare parts, raw materials and finished goods have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As explained to us there were no material discrepancies noticed on physical verification of the stock of raw