



**ANNUAL REPORT**  
2003 - 2004



**Jayaswals Neco Limited**

**BOARD OF DIRECTORS**

Shri Basant Lal Shaw	Chairman.
Shri B K Agrawal	Director.
Shri M M Vyas	Director.
Shri D Singh	Director.
Shri D R Gangopadhyay	Director (IIBI Nominee).
Shri John Mathew	Director (Exim Bank Nominee).
Shri A K Bhan	Director (IFCI Nominee).
Shri Sujit Chakravorti	Director (UTI Nominee).
Shri B W Ramteke	Director (IDBI Nominee).
Dr. S R Chougule	Director (ICICI Bank Nominee).
Shri Ramesh Jayaswal	Joint Managing Director.
Shri Arbind Jayaswal	Managing Director.

**COMPANY SECRETARY**

Shri A D Karajgaonkar

**BANKERS**

State Bank of India.  
Punjab National Bank.  
Union Bank of India.  
ING Vysya Bank Ltd.  
State Bank of Travancore.  
Global Trust Bank Ltd.  
ICICI Bank Ltd.

**AUDITORS**

M/s V R Inamdar & Co.  
Chartered Accountants  
Nagpur.

M/s Chaturvedi & Shah,  
Chartered Accountants  
Mumbai.

M/s Agrawal Chhallani & Co.  
Chartered Accountants  
Nagpur.

**REGISTERED OFFICE**

F-8 MIDC Industrial Area,  
Hingna Road, Nagpur - 440 016.  
Tel. No. : (07104) 237276, 237471, 237472.  
Fax No. : (07104) 237583, 236255.  
E-mail : [contact@necoindia.com](mailto:contact@necoindia.com)  
Web Site : [www.necoindia.com](http://www.necoindia.com)

**WORKS**

1. Steel Plant Division - Siltara Growth Centre, Raipur.
2. Automotive Castings Division - Butibori, Nagpur.
3. Centricast Division - MIDC Area, Hingna Road, Nagpur.
4. Engineering Castings Division - MIDC Area, Hingna Road, Nagpur.
5. Construction Castings Division - LI Area, Bhilai & Anjora.

## NOTICE

NOTICE is hereby given that THIRTY- FIRST Annual General Meeting of the Members of JAYASWALS NECO LIMITED will be held on Monday, the 13<sup>th</sup> day of September, 2004 at 11.30 A.M. at the Registered Office of the Company at F-8 MIDC Industrial Area, Hingna Road, Nagpur - 440 016 to transact the following business:

1. To receive, consider and adopt Balance Sheet of the Company as at 31<sup>st</sup> March, 2004, the 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 S/Shri Ramesh Jayaswal and Dhananjay Singh who retire by rotation and being eligible, offer themselves for reappointment.
3. To appoint Auditors for the current year 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 pursuant to the provisions of Section 94 and other applicable provisions, if any; of the Companies Act, 1956, Memorandum and Articles of Association of the Company, and subject to such approvals and consents as are necessary under the provisions of governing laws in force for the time being; THAT Authorised Share Capital of the Company of Rs.75,00,00,000 (Rupees Seventy Five Crores only) divided in 6,50,00,000 (Six Crores Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 10,00,000 (Ten Lacs ) Preference Shares of Rs 100/- (Rupees One Hundred only) each, be and is hereby increased to Rs.1,75,00,00,000 (Rupees One Hundred and Seventy Five Crores only) by creation of 3,00,00,000 (Three Crores) further Equity Shares of Rs.10/- (Rs. Ten only) each and 70,00,000 (Seventy Lacs) further Preference Shares of Rs. 100/- (Rs. One Hundred only) each.

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED pursuant to the provisions of Section 16 and other applicable provisions, if any; of the Companies Act, 1956 THAT the existing Clause V of the Memorandum of Association of the Company be deleted and the following new clause be and is hereby substituted in place thereof.

"V. The Authorised Share Capital of the Company is Rs.1,75,00,00,000 (Rupees One Hundred and Seventy Five Crores only) divided in 9,50,00,000 (Nine Cores and Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 80,00,000 (Eighty Lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each with powers to the Board to increase or reduce the capital and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges and conditions as may be determined by the Board and to vary, modify or abrogate any such rights, privileges and conditions including the power to convert the un-issued Equity Share Capital into Preference Share Capital and vice-versa in such manner as may for the time being be provided by the regulations of the Company and to consolidate or sub-divide the Shares and issue Shares of higher or lower denominations."

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED pursuant to the provisions of Section 31 and other applicable provisions, if any; of the Companies Act, 1956 THAT the existing Clause 3 of the Articles of Association of the Company be deleted and the following new clause be and is hereby substituted in place thereof.

"3. The Authorised Share Capital of the Company is Rs.1,75,00,00,000 (Rupees One Hundred and Seventy Five Crores only) divided in 9,50,00,000 (Nine Cores and Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 80,00,000 (Eighty Lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each with powers to the Board to increase or reduce the capital and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges and conditions as may be determined by the Board and to vary, modify or abrogate any such rights, privileges and conditions including the power to convert the un-issued Equity Share Capital into Preference Share Capital and vice-versa in such manner as may for the time being be provided by the regulations of the Company and to consolidate or sub-divide the Shares and issue Shares of higher or lower denominations."



7. To consider and if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED pursuant to the provisions of Section 80, 81, 81(1-A), 81(3) and other applicable provisions, if any; of the Companies Act, 1956; Memorandum and Articles of Association of the Company, and subject to such enabling provisions of the Listing Agreements, Guidelines and Regulations issued by the Stock Exchanges, Securities and Exchange Board of India and approvals / consents from other competent authorities as may be necessary, and subject to such terms and conditions as may be prescribed or imposed by the said authorities while granting such approvals and consents which the Board of Directors of the Company or a duly constituted Committee thereof is hereby authorised to accept wholly or in part, and further subject to such terms and conditions as may be determined by the Board of Directors of the Company or Committee thereof THAT subscribed Share Capital of the Company of Rs.52,25,06,140/- divided in 4,27,50,614 Equity Shares of Rs.10/- each and 9,50,000, 0.0001% Redeemable Preference Shares of Rs. 100/- each be and is hereby increased by issue and allotment, out of the unissued Share Capital of the Company, of the Equity and Preference Shares as per the following: -

- (A) an appropriate number of Equity Shares of Rs. 10/- each for cash at par of the nominal value not exceeding Rs. 50,00,00,000/- to the Financial Institutions and Banks with whom the Company has any borrowing arrangements whether the existing members of the Company or not, on such terms and conditions and in such proportion as may be determined by the Board of Directors or a Committee thereof, towards conversion of part of their respective loans and / or other outstanding amounts being 9.3% of the Principal Term Debt into Equity Share Capital, in terms of restructuring of their Debts in line with the Scheme approved by the Corporate Debt Restructuring (CDR) Empowered group at its Meeting held on 23<sup>rd</sup> December, 2003; as amended.
- (B) an appropriate number of 0.001 % Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par of the nominal value not exceeding Rs. 25,00,00,000/- ; redeemable in 12 equal quarterly installments commencing June 30, 2015 and ending March 31, 2017- to the Financial Institutions and Banks with whom the Company has any borrowing arrangements whether the existing members of the Company or not, on such terms and conditions and in such proportion as may be determined by the Board of Directors or a Committee thereof, towards conversion of differential interest between the document rate and simple interest at 14% per annum for the period 01/01/2001 to 31/03/2003 into Preference Share Capital, in terms of restructuring of their Debts in line with the Scheme approved by the CDR Empowered group at its Meeting held on 23<sup>rd</sup> December, 2003; as amended.
- (C) an appropriate number of 10.00 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par of the nominal value not exceeding Rs. 40,00,00,000/- ; redeemable in 20 quarterly installments commencing June 30, 2012 and ending March 31, 2017-to the Financial Institutions and Banks with whom the company has any borrowing arrangements whether the existing members of the Company or not, on such terms and conditions and in such proportion as may be determined by the Board of Directors or a Committee thereof, towards conversion of part of their respective loans and other outstanding amounts being 7.0% of the Principal Term Debt into Preference Share Capital, in terms of restructuring of their Debts in line with the Scheme approved by the CDR Empowered group at its Meeting held on 23<sup>rd</sup> December, 2003; as amended.

"RESOLVED FURTHER THAT 0.001 % Cumulative Redeemable Preference Shares of Rs. 100/- each and 10.00 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each referred to herein above shall subject to provisions contained in the Companies Act, 1956, carry a preferential right to the payment of dividend on cumulative basis and the return of capital together with arrears of dividend if any, in the event of winding up of the Company and shall rank pari-passu in all respects with other Shares in their respective class provided however that

- (i) the First such dividend on both the classes of Preference Shares referred to herein above shall accrue from 1<sup>st</sup> day January, 2004, in terms of the Scheme approved by the CDR Empowered Group, and
- (ii) the option to convert 10.00 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each referred to herein above into Equity shall notwithstanding any thing to the contrary, remain in force during the tenure of the said Shares."

"RESOLVED FURTHER THAT the Board of Directors of the Company or a Committee thereof be and is hereby authorised to accept modifications to the terms of issue of the said new Equity and Preference Shares as may be decided between the Company and the said Financial Institutions and Banks subject to the provisions of the Companies Act, 1956, SEBI Guidelines / Regulations without being required to seek any further consent or approval of the Company in General Meeting and make the allotment of aforementioned Equity and Preference Shares in pursuance of the terms of sanction and / or Letter of Intent from the Financial Institutions and Banks or from CDR Empowered Group on their behalf, in the matter of conversion of their loans / interest into Share Capital of the Company."

"RESOLVED FURTHER THAT for the purpose of issue and allotment of Equity and Preference Shares as above, the Board of Directors of the Company or a Committee thereof is further authorised to do all such things, deeds, matters, take actions, decide questions, issues, difficulties in such manner, at such places and at such times as it may at its absolute discretion deem necessary and in the best interest of the Company".

For and on behalf of Board of Directors,

**A D KARAJGAONKAR**  
COMPANY SECRETARY

**REGISTERED OFFICE:**  
F-8, MIDC INDUSTRIAL AREA,  
HINGNA ROAD,  
NAGPUR - 440 016.  
Dated: 29<sup>th</sup> July, 2004.

**Details of Directors seeking Re-appointment at forthcoming Annual General Meeting.**

Names of Directors	Shri Ramesh Jayaswal	Shri Dhananjay Singh
Date of Birth	02.02.1960	02.01.1941
Date of Appointment	05.03.1983	30.03.2002
Qualification	B.Com.	B.Sc. Engg. (Met)
Experience in Specific Functional Areas	- Associated with Iron & Steel business for over 19 years. Looks after the implementation of new Projects, expansions, Project finance and other allied matters.	- Rich experience of about 40 years in Steel business (Technical and Administration) Has led setting up of several Plant operations in Steel Industries, and achieving reduction in coke rate.
Other Directorships	1. Neco Tech Auto Components Ltd. 2. Neco Industries Ltd. 3. Nagpur Agro & Food Processors. Ltd. 4. Neco Schubert and Salzer Ltd. 5. Jayaswal Holdings Pvt. Ltd. 6. Neco Valves and Pumps Pvt. Ltd. 7. Neco Leasing and Finance Pvt. Ltd. 8. Nagpur Scrap Suppliers Pvt. Ltd. 9. Siltara Carriers Pvt. Ltd. 10. Steel and Tube Exports Pvt. Ltd.	1. Neco Castings Limited
Membership on Committees of other companies.	Nil	Nil

**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. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the special business at Item Nos. 4 to 7 above is attached.



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

### ITEM NO 4

#### **INCREASE IN AUTHORISED SHARE CAPITAL:**

As the Members are aware, the existing Authorised Share Capital of the Company of Rs.75,00,00,000/- is divided in the Equity Share Capital of Rs.65,00,00,000/- and Preference Share Capital of Rs. 10,00,00,000/-. The Company is in the process of being sanctioned by the Financial Institutions and Banks a comprehensive Restructuring Scheme on the lines of the Scheme approved by the CDR empowered Group. On implementation of the Scheme as per the plans, it is expected to give a long term solution to the present problems of the Company. As a part the Scheme, a part of their loans and outstanding interest are to be converted into Equity and Preference Share Capital of the Company. Also, the Promoters of the Company shall be infusing additional funds by way Equity into the Company in pursuance of the said Scheme. Considering the increase in the capital of the Company as proposed, the Board of Directors has considered to enhance the existing Authorised Share Capital by Rs. 1,00,00,00,000/- divided in Rs. 30,00,00,000 and Rs. 70,00,00,000 being the Equity and Preference Share Capital respectively.

The Members are requested to consider and accord their approval to the proposal.

None of the Directors of the Company may be deemed as interested in or concerned with the Resolution.

### ITEM NO 5 AND 6

#### **ALTERATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION :**

As a consequence of increase in Authorised Share Capital as proposed herein above, the existing Clause V of the Memorandum of Association and Clause 3 of Articles of Association of the Company are to be deleted and substituted with new Clauses incorporating the enhanced Authorised Share Capital.

The Members may consider and approve the alteration of Clause V of the Memorandum of Association and Clause 3 of the Articles of Association as proposed.

None of the Directors of the Company may be deemed as interested in/or concerned with the Resolution.

The copies of Memorandum and Articles of Association of the Company are available for inspection at the Registered Office of the Company during usual office hours.

### ITEM NO 7

#### **FURTHER ISSUE OF CAPITAL (Financial Institutions and Banks):**

The Members may be pleased to note that the CDR Empowered Group has approved the Company's application for a comprehensive Business and Financial Restructuring Scheme. The Scheme contemplates inter- alia,

1. Setting up new projects by the Company itself or through strategic investors to achieve backward and forward integration for reduction of cost of raw materials and production of value added Steel Products at its Steel Plant Division at Raipur.
2. Disposal of loss making operations in other Divisions and the fixed assets related thereto.
3. Restructuring of the existing Debts of the Company as on 31<sup>st</sup> March, 2003, in a manner provided therein.

The Company has received letters of sanction from most of the Financial Institutions and Banks conveying their respective sanctions on the lines of the Scheme approved by the CDR Empowered Group. Similar letters from few other Financial Institutions and Banks are



awaited. On implementation of the CDR package, Interest overheads would come down substantially, the cost of production reduce drastically, the operations streamlined and consequently financial results would improve significantly. This would help bring the financial health of the Company back to normalcy and facilitate servicing of the Debts of the Company as per the revised Schedule.

In terms of Restructuring Scheme, a part of the outstanding loans and interest is to be converted into Share Capital as per the following:

- a. Being 9.3% of the Principal Term Debt in Equity Share Capital of the nominal value not exceeding Rs 50 Crores for cash at Par for all the Financial Institutions and Banks taken together.
- b. Difference of document rate and simple interest at 14% per annum for the period 01/01/2001 to 31/03/2003 in 0.001 % Cumulative Redeemable Preference Share Capital (CRPS) of the nominal value not exceeding Rs 25 Crores for all the Financial Institutions and Banks taken together.
- c. Being 7.0% of the Principal Term Debt in 10.00 % Optionally Convertible Cumulative Redeemable Preference Share Capital (OCCPS) of the nominal value not exceeding Rs 40 Crores for all the Financial Institutions and Banks taken together.

The Financial Institutions and Banks or the CDR Empowered Group on their behalf shall formally issue Letter(s) of Intent to convert a part of their outstanding amounts into Capital in exercise of their rights under their respective Loan Agreements.

New Equity and Preference Shares to be issued to the Financial Institutions and Banks in terms of the Scheme shall be subject to the applicable statutory regulations and rank *pari-passu* in all respects with other Shares of their class. In terms of the Scheme, the dividend on Preference Shares referred to in (b) and (c) above shall accrue from 1<sup>st</sup> January, 2004.

The following further details are being furnished in the matter.

**1. Object of the Issue:**

The object of the issue of Equity Shares in terms of the foregoing is to comply with the conditions of conversion of part of the outstanding loans and other dues thereunder into Share Capital as required under the Restructuring Scheme approved by the CDR Empowered Group at its Meeting held on 23<sup>rd</sup> December 2003 as amended.

**2. Intention of the Promoters / Directors / Key Management persons to subscribe to the offer:**

None of the Promoters/Directors/Key Management persons have any intentions to subscribe to the proposed issue.

**3. Proposed time within which the allotment shall be completed:**

The allotment of Shares being issued in terms of foregoing Resolution will, barring unforeseen circumstances, be completed on receipt of Letters of Intent for conversions from the Financial Institutions and Banks or the CDR Empowered Group on their behalf.

**4. Pricing of Shares:**

Equity Shares of the Rs.10/- each, in terms of CDR Approved Scheme are being issued at Rs. 10/- per Share only. Likewise, 0.001%, Cumulative Redeemable Preference Shares of the Rs.100/- each and 10.00% Optionally Convertible Cumulative Redeemable Preference Shares of the Rs.100/- each are, in terms of CDR Approved Scheme are being issued at Rs.100/- per Share only.

**5. Details of the Financial Institutions and Banks and conversion of their dues into Capital:**

The exact number of Equity and Preference Shares to be issued on conversion of loans into Capital to each of the Financial Institutions and Banks individually will be determined by the Board / Committee of Directors in consultations with the respective Financial Institutions and Banks. However, the same would be in line with CDR Approved Scheme only. Tentatively, the details of Conversion of loans / amount of interest outstanding are as per the following.



(Amount in Rs. Lacs.)

Sr No	Names of Allottees	Amount to be converted	Equity	0.001% CRPS	10.00% OCCPS
1.	ICICI Bank Limited.	1731.87	721.87	467.00	543.00
2.	Industrial Development Bank of India.	3676.60	1692.60	710.00	1274.00
3.	The IFCI Limited.	1055.26	408.16	340.10	307.00
4.	The Industrial Investment Bank of India Limited.	305.92	137.92	64.00	104.00
5.	Life Insurance Corporation of India.	547.59	252.59	105.00	190.00
6.	General Insurance Corporation of India.	63.90	28.46	14.44	21.00
7.	Oriental Insurance Company Limited.	25.07	11.34	4.73	9.00
8.	United India Insurance Company Limited.	36.26	16.81	6.45	13.00
9.	The New India Assurance Company Limited.	66.91	32.46	10.45	24.00
10.	State Bank of India.	144.94	32.94	87.00	25.00
11.	UTI Mutual Fund (*)	740.71	354.03	120.68	266.00
12.	National Insurance Company Limited	47.62	23.09	7.53	17.00
13.	Export Import Bank of India	601.23	264.76	137.47	199.00
14.	Union Bank of India	59.58	13.79	35.79	10.00
15.	Bank of India	147.66	76.67	12.99	58.00
16.	Bank of Punjab Limited	34.40	14.96	8.44	11.00
	<b>TOTAL</b>	<b>9285.52</b>	<b>4082.45</b>	<b>2132.07</b>	<b>3071.00</b>

(\*) The Members may kindly note that UTI Mutual Fund has not consented to the CDR Approved Scheme. As per the communication received from them the Scheme is long term in nature and does not meet their regulatory and business requirements.

#### 6. Post allotment % Holding of Financial Institutions and Banks:

On allotment of Equity and Preference Shares to the Financial Institutions and Banks as above, the tentative Shareholding percentage of all of them taken together will emerge as per the following.

Sr. No.	Particulars	Equity	Preference
1	Before Issue	19.15%	Nil
2.	After Issue	58.73%	85.04%

#### 7. Management Control:

There would be no change in the Board of Directors of the Company or in the control over the Company, as a consequence of the aforesaid issue of Equity Shares to Financial Institutions and Banks except as contemplated in the CDR Approved Scheme.

The copies of the Scheme approved by the CDR Empowered group and sanctions by the Financial Institutions and Banks on that lines with respect to their respective exposures (as may have been received up to the time of inspection) are available for inspection at the registered office of the Company during usual office hours.

The Directors, in the larger interest of the Company, recommend passing of the Resolution. The Members may consider and pass the Resolution as proposed.

None of the Directors of the Company are to be deemed as interested in or concerned with the Resolution.



**DIRECTORS' REPORT**

Dear Members,

The Directors present their THIRTY-FIRST Annual Report on the affairs of the Company together with Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit and Loss Account for the year ended on that date. The summarised financial results for the year vis-à-vis the previous year are as follows:

Particulars	(Rs. In Lacs)	
	31.03.2004	31.03.2003
Gross Turnover	78576	61104
Other Income	1694	389
<b>Total Income</b>	<b>80270</b>	<b>61493</b>
Total Expenditure	77076	56430
Profit before Interest Depreciation & Tax	3194	5063
Interest	6242	6345
(Loss) before Depreciation and Tax	(3048)	(1282)
Depreciation	2489	2200
(Loss) before Tax	(5537)	(3482)
Credit for Deferred Tax	887	532
<b>(Loss) after Tax</b>	<b>(4650)</b>	<b>(2950)</b>
Balance Brought forward and other adjustments	(4705)	(1627)
<b>(Loss) carried to Balance Sheet</b>	<b>(9355)</b>	<b>(4577)</b>

In view of losses, the Directors express their inability to recommend any dividend to the Members of the Company for the year ended 31<sup>st</sup> March, 2004.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS:

### a) Segment-wise Performance:

#### 1) STEEL PLANT DIVISION:

During the year under review, Steel Plant Division, which represents a major part of the operations of the Company, continued to operate at more than 100% capacity utilisation. This is despite a planned shutdown for 14 days for capital repairs, steep rise in the cost of its vital raw material Metcoke in the international markets and non-availability of the desired quality of Metcoke on time. During the year under review, the increase in prices of

Metcoke and Iron Ore has resulted into unprecedented pressure on the margins of the Division. The Company could however, manage to control the impact of higher prices of Metcoke by importing low cost coal and getting it converted into Metcoke. With some increase in the selling prices of the Pig Iron in the 2<sup>nd</sup> half of the year, the losses in the Division could be kept under control.

#### 2) CASTINGS DIVISIONS:

The overall performance of the units in the Castings Division of the Company in terms of production was better at about 125% as compared to the previous year. As a consequence of the buoyancy in Iron and Steel Sector, both the raw materials as well as Finished Goods saw the values surging ahead. This is despite Scrap Processing operations being negligible for the year under review.

Automotive Castings Division, which caters to the Auto Components Castings, made a significant improvement in production at about 145% over the previous year and the same is expected to continue further in the current year. During the year, a part of the facilities under the project, which were kept in abeyance since 2001, have been completed and are put to use for commercial operations.

#### 3) FOOD PRODUCTS DIVISION:

The Company operated the facilities under Food Products Division under the specific arrangement with Bhaskar Exxolls Limited. The same has during the year under review, been sold to Bhaskar Exxolls Limited.

#### b) Financial Performance/Concerns:

Arising out of buoyancy in the Iron and Steel sector, the Company posted a higher Turnover of Rs.78575.93 Lacs, up by about 30% over the previous year. Export Income was higher by about 20% over the previous year. The Company could not gain much from the high tide in Iron and Steel Industry for the reason that its Pig Iron is an intermediate product for the Iron and Steel Industry. The operating losses for the year are almost at the same levels as the previous year. Extraordinary items on account of loss on sale of assets and the write off of major bad and doubtful receivables of Food Products Division have aggravated the net loss for the year up to Rs. 4650.07 Lacs.

A major area of concern in the recent times is the rising prices of the Metcoke and Iron Ore, which have been moving upwards unabatedly. The situation worsens when even at the higher price the desired quality of Metcoke and Iron Ore are not available.



Working capital facilities, especially non-fund based, necessary to import Metcoke have unfortunately, as a result of very high rise in the prices of Metcoke turned out to be too inadequate. The Bankers to the Company have already been approached to review the situation and grant enhanced working capital facilities to help the Company, keep its wheels rolling. The response is encouraging, some of the banks have released the enhanced facilities.

#### c) Corporate Debt Restructuring:

The Members may be pleased to note that the Company's efforts to evolve a new common Restructuring Scheme for one and all the Secured Term Debt and Working Capital Creditors ("the Lenders") bore fruits during the year under review. The Company through its Lead Financial Institution, ICICI Bank Limited, had moved the Empowered Group of Corporate Debt Restructuring ("CDR") Cell for consideration and approval of a comprehensive Business and Financial Restructuring Scheme ("the Scheme"). The Empowered Group at its Meeting held on 23<sup>rd</sup> December 2003 approved, by super majority, the Scheme.

The Scheme aims at Three-fold objectives viz.

- (a) Reduction of cost of major inputs and production of value added Steel Products by installing need-based facilities by the Company / through strategic investors of Steel Plant Division at Raipur,
- (b) Disposal of loss making operations / assets in other Divisions and utilise proceeds thereof to fund capital expenditure to bring more profitable operations in place / repay Term Debts, and,
- (c) Restructuring the Term Debts and Working Capital facilities of the Company at sustainable levels.

The Scheme is subject to standard terms and conditions generally stipulated by the Lenders in that behalf.

Total cost of the Scheme including the cost of new projects is to be financed by Promoters Contribution of Rs. 1000 Lacs, Sale of Surplus Assets of Rs. 680 Lacs, Funding of future interest for a period of 18 months by Term Debt Creditors and for a period of 12 months by Working Capital Creditors and Internal Accruals.

The Board of Directors gratefully acknowledges the helping hand extended by the Lenders in the hour of need. On the Scheme being implemented as contemplated, it would help dispose off

loss making business operations, bring profitable operations in place and improve margins substantially to enable the Company to meet its obligations to all the Lenders as per the Restructuring Scheme.

While most of the lenders have issued their respective sanctions on the lines of the Scheme as above, a few from others are still awaited. Besides, certain modifications to the Scheme are under the consideration of CDR Cell. For the year ended 31<sup>st</sup> March 2004, therefore, the accounts have been made considering the previous Restructuring Scheme(s), as were hitherto applicable to various loans. Notwithstanding, the Company has already started taking steps for implementation of the Scheme.

UTI Mutual Fund (UTI) whose exposure (about 8% of the total exposure) is a part of the total Term Debt restructured, has opposed the CDR Approved Scheme. As per the communication received from UTI, the Scheme is long term in nature and does not meet its regulatory and business requirements. It has filed a case for recovery of its dues. The Company is looking forward to the sanction of the Scheme of Arrangement and Compromise referred to below that would go a long way to sort the issue out. Notwithstanding, the Company is exploring other options so as to take care of its indebtedness to UTI.

#### d) Scheme of Arrangement and Compromise:

The Company has based upon the above CDR Approved Scheme, prepared a Scheme of Arrangement and Compromise to be entered into between the Company and its Secured Term Debt Creditors and Secured Working Capital Creditors. The same has been presented before the High Court of Judicature at Mumbai, Bench at Nagpur, Nagpur, for sanction under the provisions of Sec 391 and 393 of the Companies Act, 1956. On being sanctioned, it will have a binding effect of a mandatory nature on all the Lenders of the Company as also the Company itself. The proceedings as per the prescribed procedure have already commenced.

#### c) Increase in Authorised Share Capital:

In terms of CDR Approved Scheme, a part of outstanding loans and other amounts of the Secured Term Debt Creditors are to be converted into Equity and Preference Share Capital. Likewise, the Promoters contribution is also to be converted into Equity. With a view to facilitate increase in Capital as required, it is proposed to increase the Authorised Share Capital of the Company from the existing Rs.7500 Lacs to Rs.17500 Lacs, The notice for the ensuing Annual General Meeting includes