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Jayaswals Neco Limited



BOARD OF DIRECTORS :

Shri Basant Lall 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.
- Oriental Bank of Commerce.
- ICICI Bank Ltd.

AUDITORS :

M/s V R Inamdar & Co.	M/s Chaturvedi & Shah,
Chartered Accountants	Chartered Accountants
Nagpur.	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
Web Site : www.necoindia.com

WORKS :

1. Steel Plant Division - Siltara Growth Centre, Nagpur.
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- SECOND Annual General Meeting of the Members of JAYASWALS NECO LIMITED will be held on Friday, the 30th day of September, 2005 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 31st March, 2005, 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.
 - a. Shri M M Vyas
 - b. Shri B K Agrawal
3. To consider and if thought fit to pass with or without modifications the following resolution as Special Resolution

"RESOLVED pursuant to section 224-A of the Companies Act, 1956, **THAT** M/s Chaturvedi & Shah, Chartered Accountants Mumbai, and M/s Agrawal Chhallani & Co. Chartered Accountants, Nagpur, be and are hereby appointed Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company."

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 81, 81(1-A) and other applicable provisions, if any; of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof); Memorandum and Articles of Association of the Company, and subject to such enabling provisions of the Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited, Guidelines and Regulations issued by the Securities and Exchange Board of India and such approvals and 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 (hereinafter referred to as "Board" which shall include a Committee(s) thereof) at its sole discretion is hereby authorised to accept wholly or in part, **THAT** the consent of the Company be and is hereby accorded to the Board to issue and allot on private placement basis from out of the unissued capital, 1,50,00,000 Equity Shares of Rs 10/- each of the nominal value of Rs. 15,00,00,000/- for cash at Par at such time or times, in such manner, form and numbers and upon such terms and conditions as the Board may at its absolute discretion consider proper, desirable and expedient by way of preferential allotment(s) to the following entities belonging to Promoter group through whom the Promoters of the Company are arranging for infusing the additional funds into the Company at the rate of Rs. 10/- per Equity Share on the number of shares proposed to be issued to them individually as detailed hereinbelow to partly fund the cost over-run in the projects set up / being set up in pursuance of the CDR Approved Scheme and seek listing of the said Equity Shares on the Stock Exchanges".

Sr.No.	Names of Allottees	No. of Equity Shares	Amount (Rs.)
1.	Surmanju Securities Private Limited	70,00,000	7,00,00,000
2.	Jaydeo Impex Private Limited.	80,00,000	8,00,00,000
	Total	1,50,00,000	15,00,00,000

"RESOLVED FURTHER THAT the new Equity Shares referred to above shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity Shares of the Company including the entitlement to Dividend which may be declared and paid thereon for the financial year in which the same are allotted in accordance with the provisions of the Companies Act, 1956"



"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to approve, agree to and accept such modifications to the terms and conditions of the **abovesaid** preferential issue as may be suggested by the Financial Institutions and Banks with whom the Company has any borrowing arrangements and to do all such acts, deeds, things, and matters and take all such steps and actions as may be necessary and expedient and settle any matter that may arise in connection therewith".

By order of the Board of Directors

REGISTERED OFFICE:
F-8, MIDC INDUSTRIAL AREA,
HINGNA ROAD,
NAGPUR - 440 016.
Dated: 22nd August, 2005.

ARBIND JAYASWAL
Managing Director

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

Names of Directors	Shri M M Vyas	Shri B K Agrawal
Date of Birth	07.10.1942	28.01.1949
Date of Appointment	26.02.1998	10.08.1994
Qualification	B.Sc.	M.Com. FCA
Experience in Specific Functional Areas	Experience in administration, export Marketing and liasoning with Government Agencies, Institutions and Banks for over 27 Years. Associated with business in Iron and Steel Castings & their fittings for over 17 years.	Practising Chartered Accountant for over 29 years. Possesses sound knowledge of Accounting, Auditing and Taxation & Corporate Advisory.
Other Directorships	1. Neco Tech Auto Components Ltd. 2. Neco Schubert and Salzer Ltd. 3. Neco Castings Ltd. 4. Steel and Tube Exports Pvt. Ltd.	1. Agrawal Plantations Pvt. Ltd. 2. Brahmi Agrotech Pvt. Ltd. 3. Surabardi Resorts Pvt. Ltd. 4. Surabardi Estates Pvt. Ltd. 5. Neco Schubert and Salzer Ltd.
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. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the special business at Item No. 4 above is appended.
3. Register of Members and Share Transfer Books of the Company will remain closed from 26th September, 2005 to 30th September, 2005. (both days inclusive)

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

ITEM NO 4:

FURTHER ISSUE OF CAPITAL

As the Members are aware, the Company is in the process of implementing the CDR Approved Scheme ("the Scheme") that is aimed at *inter - alia*, reducing the cost of its vital raw materials and producing value added Steel Products, and thus improve the operational results. The Company, that was incurring losses since 5 years, is now poised to make a turnaround. For the year ended 31st March, 2005, it has made a net profit of Rs. 507 Lacs. This has been possible due to, in addition to other factors, timely and valuable support of its Term Debt and Working Capital Lenders through CDR mechanism.

In pursuance of the Scheme the Company has set up / is setting up Pulverised Coal Dust Injection System (PCI) and Coke Oven Plant (CO) at its Steel Plant Division at Raipur. These projects are simply necessary for the successful implementation of the Scheme. The total cost of projects which was envisaged at Rs. 3970 Lacs initially, has, as a result of changes in designs and increase in the cost of critical equipments and other inputs, gone up by about Rs. 2393 Lacs. While PCI has been already commissioned and is in the process of stabilisation, CO is expected to be ready by the end of September 2005. The increase in cost of projects is to be funded by additional contribution up to Rs. 1500 Lacs by way of Equity at Par from the Promoters and/or their Associates and the balance through internal accruals. Revised cost of projects and means of funding the over-runs through Equity at Par have been approved by the CDR Empowered Group vide its letter dated 4th June 2005.

Additional contribution as above said is being arranged for by the Promoters through their Associates Surmanju Securities Private Limited (Rs 700 Lacs) and Jaydeo Impex Private Limited (Rs. 800 Lacs). It is now proposed to issue Equity Shares on Preferential basis towards monies brought in / to be brought in by them.

The Directors place before the Members resolutions as proposed and seek under section 81 (1A) of the Companies Act, 1956, their consent and authority to the Board / Committee thereof to issue Equity Shares as contemplated.

In compliance with provisions of clause 13.1A under Chapter XIII of The Securities and Exchange Board of India (Disclosures and Investors Protection) Guidelines, 2000, as amended, ["The SEBI (DIP) Guidelines, 2000"] the following details are being furnished.

1. Object of the issue through preferential offer.

The Object of the issue of Equity Shares in terms of the foregoing is to raise monies to partly fund the increase in cost of projects set up / being set up by the Company in pursuance of the Scheme as amended.

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

The intention of the Associates of Promoters who are subscribing to the proposed issue, is to contribute to the setting up of the facilities and facilitate implementation of the Scheme in the interest of the Company and all its Stakeholders.

3. Equity Shareholding pattern before and after the offer.

(A) The Equity Shareholding Pattern of the Company before and after the issue and allotment of aforesaid Equity Shares of Rs. 10/- each is as under:



Sr No	Category	Before Allotment		After Allotment	
		No. of Equity Shares	% of the total	No. of Equity Shares	% of the total
1	Promoters Holding (including persons acting in concert)	21051704	26.85	36051704	38.61
2	Financial Institutions, Mutual Funds, Banks, Insurance Companies etc.	38391371	48.97	38391371	41.11
3	Other Corporate Bodies	7845736	10.00	7845736	8.40
4	NRIs	215260	0.28	215260	0.23
5	Indian Public	10879977	13.89	10879977	11.65
	Total	78384048	100.00	93384048	100.0

- (B) Allotment of 19500000 Equity Shares of Rs. 10/- each at Par to the Promoters and their associates in pursuance of the authority accorded by the Members vide their resolution passed at the Extra ordinary General Meeting held on 14th July 2005 is pending.

Considering the allotment of these Shares in place, the Equity Shareholding Pattern of the Company before and after the proposed issue and allotment of Shares would emerge as follows.

Sr No	Category	Before Allotment		After Allotment	
		No. of Equity Shares	% of the total	No. of Equity Shares	% of the total
1	Promoters Holding (including persons acting in concert)	40551704	41.43	55551704	49.21
2	Financial Institutions, Mutual Funds, Banks, Insurance Companies etc.	38391371	39.22	38391371	34.01
3	Other Corporate Bodies	7845736	8.01	7845736	6.95
4	NRIs	215260	0.22	215260	0.19
5	Indian Public	10879977	11.12	10879977	9.64
	Total	97884048	100.00	112884048	100.00

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 the proposed Allottees.

4. Proposed time within which the allotment shall be completed.

The Company shall be making an application to The Securities and Exchange Board of India (SEBI) seeking exemption from complying with the provisions of Clause 13.1.1 of The SEBI (DIP) Guidelines, 2000 in the matter of the pricing of the issue. Likewise, the proposed allottees would also be making an application to SEBI seeking exemption from complying with the provisions of Regulations 10,11, and 14 of The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, in the matter of public announcement to acquire Shares, In view of this, allotment of Shares in terms of foregoing resolution shall be completed within a period of 15 days from the date of passing the resolution or receipt of necessary approvals from SEBI and other regulatory authorities, if any, whichever is later.

5. The identity of the proposed allottees and the percentage of the pre and post-preferential issue capital that may be held by them.

Sr No	Names of Allottees	Address	Percentage of the pre and post issue capital	
			Pre	Post
1.	Surmanju Securities Private Limited	Agrawal Complex, Loha Oli, Itwari, Nagpur 440 002	0.00	7.50
2.	Jaydev Impex Private Limited	429, Shri Ambe Co-op Housing Society Limited, Central Avenue, Wardhaman Nagar Nagpur 440 008	0.00	8.57
	TOTAL		0.00	16.07

Note: Considering the proposed enhanced capital up to 112884048 Equity Shares (as Post Allotment total number of Shares) referred to in 3 (B) above, post issue Percentages of Sr No 1 and 2 above would work out to 6.20 % and 7.09 % respectively individually and 13.29% in the aggregate.

5. Lock-in Period.

In terms of clause 13.3 of The SEBI (DIP) Guidelines, 2000, the Shares to be allotted in terms of the foregoing shall be locked in for a period of three years from the date of allotment.

7. Pricing of Shares.

All the new Equity Shares of Rs.10/- each as abovesaid to be allotted to the associates of Promoters towards the funds brought in / to be brought in are, subject to requisite approvals being issued at Par. As stated above approval of CDR Empowered Group has already been obtained.

The copies of the Scheme approved by the CDR Empowered group as also the amendments thereto 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.

S/shri Basantlall Shaw, Arbind Jayaswal and Ramesh Jayaswal, Directors, may be deemed to be interested in or concerned with the Resolution as the proposed allottees are belonging to the Promoters Group and thereby Promoters holding would increase to that extent. None of the other Directors of the Company are interested.



DIRECTORS' REPORT

Dear Members,

The Directors present their THIRTY SECOND Annual Report on the affairs of the Company together with Audited Balance Sheet as at 31st March, 2005 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)	
	31.03.2005	31.03.2004
Gross Turnover	102837	72655
Other Income	933	1694
Total Income	103770	74349
Total Expenditure	94717	71155
Profit before Interest Depreciation & Tax	9053	3194
Interest for the current year	5163	6242
Profit / (Loss) before Depreciation and Tax	3890	(3048)
Depreciation	2603	2489
Profit / (Loss) before earlier years Interest and Tax	1286	(5537)
Interest relating to earlier years (Net)	779	—
Credit for Deferred Tax	—	887
Profit / (Loss) after Tax	507	(4650)
Balance Brought forward and other adjustments	(9367)	(4705)
Available for Appropriations	(8860)	(9355)
Transfer to Debenture Redemption Reserve	469	—
(Loss) carried to Balance Sheet	(9328)	(9355)

In view of the brought forward losses, the Directors regret their inability to recommend any dividend to the Members of the Company for the year ended 31st March, 2005.

2. MANAGEMENT DISCUSSION AND ANALYSIS:

a) Segment- wise Performance:

i) Steel Plant Division:

The Production in Steel Plant Division during the year under review was satisfactory, registering an overall growth of over 17 % over the previous year. While there is an increase in cost of raw materials, its impact could be minimised due to better utilisation of the materials through Sintering and other cost saving steps taken by the Company. This coupled with higher sales realisations, resulted into improved bottom lines for the Division. In terms of value of sales, the Division achieved a significant growth of over 73 % over the previous year.

During the year under review, Pulverised Coal Dust Injection system was commissioned and the same is in the process of stabilisation. As regards, Coke Oven project, the same is now expected to be ready for operation by the end of September, 2005 which would give further reduction in cost of a major input i.e. Metcoke. Arising out of change in designs, increased cost of critical equipments, steel and other inputs; there has been cost over-runs in both the projects aggregating to Rs.2393 lacs. The cost over-runs is being financed by the additional contribution towards equity amounting to Rs.1500 lacs from the Associates of the Promoters and the balance through internal cash accruals.

During the year under review, all other 3 projects namely Sintering Plant, Steel Melt Shop and Air Separation Plant, set up by the strategic investors have been commissioned. While the operations under Sintering Plant have stabilised, it is expected that the operations of Steel Melt Shop and Air separation Plant would also stabilise shortly. Financial effects of the operations through all these facilities are expected to be seen from the current financial year.

ii) Castings Divisions:

The operations under Plant I under Automotive Castings Division, have shown encouraging results

during the recent times. Enthused by the response from the Automotive Sector, the Company has considered commencing the operations of Plant II under this Division by incurring need-based expenditure of about Rs. 500 lacs. The operations of Plant II would commence shortly and Automotive Castings Division as a whole, is expected to show further improved results.

The production in other plants under the Castings Division has, in quantitative terms been marginally lower than the previous year. However, due to better sales realisation the turnover has gone up by over 48%. There is a satisfactory increase of about 15% in Exports of Castings from Automotive and Centricast Divisions. As a result, margins under these divisions have improved over the previous year.

b) Financial Performance/Concerns:

Management's continuous thrust for improving operational efficiency supported by higher realisations, and the effects of ongoing implementation of the CDR Approved Scheme as also the Settlement of Dues with a Lender, have made it possible to make a turnaround during the year under review. The Company has made a profit of Rs. 507 Lacs (after charging interest relating to previous years amounting to Rs. 779 Lacs) as against the loss of Rs. 4650 Lacs in the previous year.

The Directors are cautiously watching the developments in the Iron and Steel Industry in general and areas of concern for the Company in particular. The Company needs to augment capacities for conversion of Coal into Coke to match the total requirements of Metcoke and commence the work on Iron Ore and Coking coal / Coal mines for captive consumption. This assumes greater importance in view of the recent falling prices of Iron and Steel all around the markets. Besides, with the entry of new players, the markets may, at a later stage, see a situation of over supply.

c) Corporate Debt Restructuring:

During the year under review, the Company has made a significant progress in implementation of the CDR Approved Scheme, in as much as all the debts of all the consenting term lenders have been restructured in a manner provided in the CDR Approved Scheme. Part of the term loans and other outstandings have been converted into Equity and Preference Share Capital. Further, funding of interest on term loans / working capital for a period of 18/12 months by the lenders has been availed. Enhanced Working Capital requirements of the Company have been appraised and the same are in the process of being sanctioned / disbursed.

The Company has agreed for Settlement of Dues with UTI Mutual Fund, (UTI) under which the agreed amount of settlement will be cleared by March, 2006. Under the settlement scheme, the Company has been granted waiver of 50% of the simple interest, 100% of the penal interest and 100% of the overdue interest. The accounting effects related to this settlement scheme with UTI have been considered in the Books of Accounts of the Company during the year under review.

The Scheme of Arrangement and Compromise under section 391 of the Companies Act, 1956 having been approved by the Secured Creditors, is filed before the High Court of Judicature, Bench at Nagpur for sanction. The matter is under progress.

d) Increase in Paid up Share Capital:

During the year under review, in pursuance of the CDR Approved Scheme, a part of Principal Term Debt of the Term Debt Lenders amounting to Rs. 8308 Lacs has been converted into Equity and Preference Share Capital of the Company.

Further steps in the matter of issue of 195 Lacs Equity Shares to Promoters towards the additional funds (Rs. 1000 Lacs) infused by them and towards conversion of the Preference Share Capital held by them (Rs. 950 Lacs) are being taken.



e) Outlook:

With the implementation of the CDR Approved Scheme, and Company's continued efforts to control all costs including interest, the Company is preparing itself to withstand vagaries of erratic price fluctuations in Steel market, particularly in metallic segment. The Company is looking forward to further improved results during the current year. It is expected that accumulated losses would be wiped out in about 3 years.

The Company has still further plans to go in for the production of finished steel products, which would take about 2 years. The operations in the Automotive Castings Division on commissioning of the Plant II are also expected to give a good support to the turnover and profitability of the Company.

f) Internal Control Systems:

The Company has a risk focused, Internal Control System to analyze and report to the management on the day to day operations of the Company. Efforts are being made to continuously strengthen it further.

g) Industrial Relations:

Industrial Relations in all the Divisions of the Company remained cordial and peaceful. During the year, average No. of persons working in the Company was about 4500 approximately.

3. AUDITORS' REPORT:

As regards Management response to the Observations of the Auditors in their report on the Balance Sheet and Profit and Loss Account, the Directors wish to state as under.

- a. Approval of competent authorities in the matter of allotment of shares on conversion of preference shares: The application of the promoters is pending before SEBI.
- b. Approval of Central Government in the matter of certain transactions: The application is pending before the Central Government.
- c. Non-provision of overdue interest: The CDR Empowered Group has recommended waiver. In view of this, no provision is considered necessary.

4. DIRECTORS:

During the year under review there is no change in the composition of Board of Directors of the Company. Shri M M Vyas and Shri B K Agrawal, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Being eligible, they offer themselves for re-appointment. Necessary information on the Directors seeking re-appointment is included in the Notice for the ensuing Annual General Meeting.

5. 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.

6. PARTICULARS OF EMPLOYEES:

During the year review, there are no employees drawing remuneration in excess of the prescribed limits and whose particulars need be given under Section 217 (2A) of The Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975, as amended.

7. CORPORATE GOVERNANCE REPORT:

As required under the provisions of Clause 49 of the listing Agreement with Stock Exchanges, the Report on prescribed matters under Corporate Governance together with a certificate from Auditors of the Company thereon is appended and forms a part of this Report.

8. DIRECTORS RESPONSIBILITY STATEMENT:

As required, under Section 217 (2AA) of The Companies Act, 1956, the Directors confirm and state that:

- a. All the applicable accounting standards have been followed in the preparation of accounts enclosed herewith
- b. Accounting policies followed are consistent and are based on the principle of a Going Concern.
- c. Judgements and estimates made in that behalf to the extent necessary are reasonable and