

34th ANNUAL REPORT 2006-2007



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 Nominee)
	Shri S K Singhai	Director (IFCI Nominee)
	Shri B W Ramteke	Director (IDBI Nominee)
	Shri Naveen Atrishi	Director (ICICI Nominee)
	Shri Ramesh Jayaswal	Joint Managing Director
	Shri Arbind Jayaswal	Managing Director
COMPANY SECRETARY	: Shri A D Karajgaonkar	
CHIEF FINANCE OFFICER	: Shri P K Bhardwaj	
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 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	
WORKS	: 1. Steel Plant Division – Siltara Growth Centre, Raipur 2. Automotive Castings Division – Butibori, Nagpur. 3. Centricast Division – MIDC Area, Hingna Rd, Nagpur 4. Engineering Castings Division – MIDC Area, Hingna Road, Nagpur 5. Construction Castings Division – L I Area, Bhilai & Anjora.	

CODE OF CONDUCT ON AFFIRMATIVE ACTION

- 1 The Company affirms the recognition that its competitiveness is interlinked with the well being of all sections of the Indian society.
- 2 The Company believes that equal opportunity in employment for all sections of society is a component of its growth and competitiveness.
- 3 It further believes that inclusive growth is a component of growth and development of the country.
- 4 The Company affirms the recognition that diversity to reflect socially disadvantaged sections of the society in the workplace has a positive impact on business.
- 5 The Company will not practise, nor support, conscious discrimination in any form.
- 6 The Company does not bias employment away from applicants belonging to disadvantaged sections of society if such applicants possess competitive skills and job credentials as made public.
- 7 The Company's selection of business partners is not based on any considerations other than normal business parameters. In case of equal business offers, the Company will select a business partner belonging to a socially disadvantaged section of society.
- 8 The Company believes in Affirmative Action in the workplace.
- 9 The Company has an employment policy. It may place such policies and employment opportunities on its website to encourage applications from socially disadvantaged sections of society.
- 10 The Company makes all effort for upskilling and continual training of employees from socially disadvantaged sections of society in order to enhance their capabilities, and competitive skills.
- 11 The company has a partnership programme with educational institution/s to support and aid students from socially disadvantaged sections of society.
- 12 The Company will make available its learning and experiences as a good corporate citizen in Affirmative Action to other companies desiring to incorporate such policies in their own business.

B L SHAW
Chairman.



NOTICE

NOTICE is hereby given that THIRTY-FOURTH Annual General Meeting of the Members of JAYASWALS NECO LIMITED will be held on Saturday, the 29th of September, 2007, 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, 2007, 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 MM Vyas
 - b. Shri BK Agrawal
3. To consider and if thought fit to pass with or without modifications the following resolution as SPECIAL RESOLUTION.
"RESOLVED pursuant to section 224A 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 subject to approval of Central Government under Section 21 and other applicable provisions, if any, of the Companies Act, 1956, **THAT** the name of the Company be and is hereby changed from its present name Jayaswals Neco Limited to **JAYASWAL NECO INDUSTRIES LIMITED."**
5. To consider and if thought fit, to pass with or without modifications, the following Resolution as SPECIAL RESOLUTION.
"RESOLVED subject to the provisions of Section 16 and other applicable provisions, if any; of the Companies Act, 1956, **THAT** Clause I of the Memorandum of Association of the Company be deleted and the following new clause I be and is hereby substituted in its place.
"I. The name of the Company is JAYASWAL NECO INDUSTRIES LIMITED."
6. To consider and if thought fit, to pass with or without modifications, the following Resolution as SPECIAL RESOLUTION.
"RESOLVED subject to the provisions of Section 31 and other applicable provisions, if any; of the Companies Act, 1956, **THAT** Sub-clause under Clause 2 of the Articles of Association of the Company be deleted and the following new Sub-clause be and is hereby substituted in its place.
"The Company" or "this Company" means JAYASWAL NECO INDUSTRIES LIMITED."

By order of the Board of Directors

AD Karajgaonkar
Company Secretary

Registered Office:
F-8, MIDC Industrial Area,
Hingna Road,
NAGPUR - 440 016.
Date: 29th August, 2007.

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 will remain closed from 24th September, 2007 to 29th September, 2007 (both days inclusive).
3. Explanatory Statement with respect to the Special Business at 4, 5 and 6 mentioned above is attached.

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

Item Nos. 4, 5 and 6 :

The Members are aware that the Company is engaged in the business of Manufacture and Sale of Pig Iron, Steel Billets, Steel Rolled Products, Iron and Steel Castings for various applications like Sanitary Castings, Automotive Components Castings, Construction Castings etc. The Company is also in business of Generation of Power and Mining of Coal and is at the various stages of progress in connection with Mining of other Minerals.

The present name of the Company Jayaswals Neco Limited does not reflect the existing operations of the Company mentioned above and it is therefore considered that the name of the Company be changed from "Jayaswals Neco Limited" to "Jayaswal Neco Industries Limited".

The Company has already made an application to the Registrar of Companies seeking availability of the proposed name and expects that the proposed name will be available for change as proposed.

The proposal of Change of Name as above and consequential alterations to the Memorandum and Articles of Association of the Company require approval of Members by Special Resolution.

The Directors recommend that the resolutions as proposed for a change of name and consequential alterations to the Memorandum and Articles of Association of the Company be passed.

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

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	<ul style="list-style-type: none"> • Experience in administration, export Marketing and liasoning with Government Agencies, Institutions and Banks for over 30 years. • Associated with business in Iron and Steel Castings & their fittings for over 18 years. 	<ul style="list-style-type: none"> • Practising Chartered Accountant for over 30 years. • Possesses sound knowledge of Accounting, Auditing and Taxation & Corporate Advisory.
Other Directorships	<ol style="list-style-type: none"> 1. NSS Ltd. 2. Steel and Tube Exports Ltd. 	<ol style="list-style-type: none"> 1. NSS Ltd. 2. Agrawal Plantations Pvt. Ltd. 3. Bahmni Agrotech Pvt. Ltd. 4. Surabardi Resorts Pvt. Ltd. 5. Surabardi Estates Pvt. Ltd.
Membership on Committees of other Companies.	Nil	Nil
No. of Equity Shares held	79034	7500

DIRECTORS' REPORT

Dear Members,

The Directors present their THIRTY FOURTH Annual Report on the affairs of the Company together with Audited Balance Sheet as at 31st March, 2007, and the Profit and Loss Account for the year ended on that date. The summarized financial results for the year vis-à-vis the previous year are as follows:

Particulars	(Rs. in Lacs)	
	31.03.2007	31.03.2006
Gross Turnover	145598	103012
Net Turnover	124734	88085
Other Income	1427	541
Total Income	126161	88626
Total Expenditure	113104	82724
Profit before Interest	13057	5902
Depreciation & Tax		
Interest and Financial Charges	6686	6319
Profit / (Loss) before		
Depreciation and Tax	6371	(417)
Depreciation	3673	2980
Profit / (Loss) before tax	2698	(3397)
Tax including Fringe	66	67
Benefit Tax		
Profit / (Loss) after Tax for the year	2632	(3464)
Prior period items (Net)	(384)	(9)
Net Profit	2248	(3473)
Balance Brought forward and other adjustments	(12800)	(9327)
(Loss) carried to		
Balance Sheet	(10552)	(12800)
Earning per Share (Rupees)	1.79	(4.77)

In view of the accumulated losses of previous years, the Directors regret their inability to recommend any dividend to the Members of the Company for the year ended 31st March, 2007.

2. MANAGEMENT DISCUSSION AND ANALYSIS:

a] Segment-wise Performance:

i) Steel Plant Division:

The year for the Steel Plant Division of the Company has been satisfactory in as much as it has achieved a highest ever overall hot metal production of 564536 MTs that is higher by about 18% over the previous year. Installed Capacity has increased as a result of 'add-on' functions and processes. There is a marked increase in the production of Rolled steel products. During the year under review, the Company has started by utilizing Steam coal from its Mines, production of Sponge Iron, a part of which is captively consumed for manufacture of steel products. Gross sales of have jumped by about 49% at Rs. 119400 lacs generating a segment profit for the Division at Rs. 7786.52 lacs, as compared to Rs. 412 lacs of the previous year. Despite rise in the prices of Iron Ore by about 50%, reduction in metcoke consumption per ton, improved Pig Iron prices, favourable Foreign Exchange fluctuations, reduced metcoke prices and a host of measures taken for improving operational efficiency and cost cutting have contributed to encouraging performance of the Division.

There is further potential for making the Division more profitable. The Division continues to strive for further improvements by initiating steps for use of higher percentage of sintered materials, enrichment of oxygen in the blast furnace getting vacuum degassing equipments installed at the Steel melting facilities, utilizing the coal from its captive mines for Sponge Iron and power generation and continuous upgradation of the facilities for optimum output.

ii) Castings Division:

The operations at the foundries under Castings Division have also improved during the year under review. The production at 82497 MTs is higher by 12% over the

previous year. Likewise, the Gross Sales at Rs. 36711 lacs is also higher by 19% over the previous year. The segment profit for the Division has however slipped to Rs. 1543 lacs from Rs.2726 lacs of the previous year. This is mainly due to drop in the margins arising from overall rise in the cost of materials consumed in foundries and pressure on selling prices due to competition from unorganized sector.

b) Financial Performance:

The Members would be glad to see from the financial statements for the year that the Company has turned around in a significant way by registering a net profit for the year at Rs. 2632 lacs as against a loss of Rs.3464 lacs in the previous year. Overall operating profit margins have improved to about 9% from 6% of the previous year. Interest overheads on fixed loans are lower with reducing term debt. The Company has been regular (barring a few cases of delays) in payments of dues to Lenders.

c) Capital:

The Company has on 1.11.2006, allotted to CDR lenders further 2,05,200, 10% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each. This is in pursuance of CDR approved Scheme as amended, towards the amount equivalent to the accrued dividend for a period of 9 months ended 31st December, 2003 on the Preference Shares held by them. The terms of issue and redemption of these Shares are the same as the existing Preference Shares of the same class.

d) Outlook and Concerns:

The Company's efforts to make the facilities at Raipur a full-fledged Integrated Steel Plant would materialize shortly in days to come. As a part of implementation of backward and forward integration, additional capacities for sintering and facilities for production of rolled products are being set up through the strategic investor. CDR Cell has already approved these arrangements. The Directors

are hopeful that these facilities would be operational by the end of the current year, and consequently the bottom lines for the Division and in turn the Company would improve significantly.

The Company has commenced operations in the mining of Steam coal near Raigarh in Chhattisgarh, for captive use. The mining operations under Steel Plant Division are slated to take a quantum leap in the days to come and add to the bottom lines of the Company.

The Company also has already received mining rights for Iron Ore, another vital input for the Division. Despite best of efforts, the Company has not been successful as yet for commissioning these mines on account of law and order problems in the areas surrounding these mines. On these mines becoming operational, better quality Iron ore and fines would be available at lower costs.

As regards Iron and Steel Castings Division, the operations in Automotive Components Castings promise a boom with good potential for enhanced volumes in domestic and global markets. The Division has been awarded ISO/TS 16949:2000 certification by ICL that would help boost customer satisfaction level with the Company. Absorption of new technologies in the foundries, continuous upgradation of the facilities like replacement of old moulding machines with new, improvised machines, renovations in sand plants through In-house Research and Development Cell has already improved the yield significantly.

e) 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. The Company is in tune with the growing size of the business, in the process of implementing an advanced computer systems that would help strengthening the MIS and controls in respect of day-to-day operations of the Company.



f) Industrial Relations:

Industrial Relations in all the Divisions of the Company remained cordial and peaceful. During the year, average number of persons working in the Company was about 5000 approximately.

g) Labour and Community welfare:

The Company contributes a significant share to the public exchequer in the region and it has earned a certificate of excellence from Commissioner of Central Excise for being the 2nd highest Excise duty payer in Raipur Region of the State of Chhattisgarh.

As a part of its social responsibility and as a good corporate citizen, the Company regularly undertakes programmes for health check-up, free distribution of medicines, and other measures for the welfare of the workers. Besides, activities of tree plantation, development of parks and gardens, installation of pollution control equipments are regularly undertaken with a view to promote and protect a congenial and eco friendly atmosphere in and around the plants.

The Company has adopted a few villages surrounding the plant for their all-round development and general upliftment. In addition, the facilities for subsidized schooling in the vicinity of the plant for the children of workers are provided.

3. AUDITORS' REPORT:

The observations of the Auditors on non-provision of additional interest for the prior period in the Financial Statements for the year under review read with Note No. 5 in Schedule 17 to the Accounts are self-explanatory.

4. DIRECTORS:

ICICI Bank Limited has effective from 10.05.2007, withdrawn the nomination of Dr. S R Chougule, its Nominee on the Board and has appointed Shri Navin Atrishi, in his place. The Board appreciates and takes on record on the services rendered by Dr. S R Chougule

during his tenure as Director 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 being given separately 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 along with proper explanations relating to material departures in the preparation of accounts enclosed herewith
- b. Annual accounts are prepared on the principle of a Going Concern.
- c. Accounting policies selected, applied and Judgements and estimates made in that behalf to the extent necessary

are reasonable and prudent so as to give true and fair view of the state of affairs at the end of the financial year and of the profit or loss of the Company for the year under review.

- d. Sufficient care has been taken for maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and the procedures, practices and control systems in the day-to-day management are sound enough to prevent and detect the occurrence of frauds and irregularities.

9. AUDITORS:

M/s Chaturvedi & Shah, Chartered Accountants, Mumbai, and M/s Agrawal Chhallani & Co., Chartered Accountants, Nagpur, the Auditors of the Company retire at the ensuing Annual General Meeting. The Members are requested to appoint the Auditors and fix their remuneration by Special Resolution as required under

section 224A of the Companies Act, 1956.

10. ACKNOWLEDGMENTS:

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

For and on behalf of Board of Directors,

B L SHAW
Chairman

Nagpur

Dated : 28th July, 2007

ANNEXURES TO THE DIRECTORS' REPORT

PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AS AMENDED FOR THE YEAR ENDED 31ST MARCH, 2007.

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, standardisation 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.



DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

(a) Power and Fuel Consumption.

Particulars	Electricity			Furnace Oil			Coal/Coke		
	Units (KWHs in Lacs)	Amount (Rs. in Lacs)	Rate/ Unit (Rs.)	Units (KL)	Amount (Rs. in Lacs)	Rate/ Unit	Units (MT)	Amount (Rs. in Lacs)	Rate/ Unit (Rs.)
(I) Purchases:									
(a) Iron & Steel Castings	422.54 (388.67)	1956.52 (1441.83)	4.63 (3.71)	- (-)	- (-)	- (-)	17919.07 (16396)	1381.82 (1170.21)	7717 (7137)
(b) Pig Iron & Steel Products	233.38 (132.02)	1221.28 (1051.10)	5.23 (7.96)	1320 (1533)	259.51 (274.26)	19659 (17894)	369799 (302695)	34873.19 (36031.82)	9430 (11904)
(II) Own Generation:									
Pig Iron & Steel Products	811.07 (840.20)	2149.33 (2226.52)	2.65 (2.65)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

Note : Figures in brackets relate to previous year.

(b) Consumption/Unit of Production.

PARTICULARS	ELECTRICITY KWHs.	FURNACE OIL LTRs.	COAL/COKE KGs.
Iron & Steel Castings	498.02 (499.19)	- (-)	211 (210)
Pig Iron & Steel Products	171.43 (200.45)	2.166 (3.165)	607 (627)

Note : Figures in brackets relate to previous year.

II. TECHNOLOGY ABSORPTION:

The Company has adopted the Chinese Technology at its Plant for manufacture of Pig Iron through Blast Furnace and Pulverised Coal Dust Injection. Further, the Company has set up Coke Oven Plant at its Steel Plant Division. Technology for the same has been provided by Shanxi Provisional Chemical Design Institute of China.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in Lacs) 2006-2007	(Rs. in Lacs) 2005-2006
i) Foreign Exchange earned:		
Export of goods on FOB basis	1369.67	1853.34
ii) Foreign Exchange used:		
Purchase of Raw Materials, Stores and components and capital goods	29128.22	29419.45