



MARMAGOA STEEL LIMITED

Report & Accounts, 2003

IS/ISO 9002





BOARD OF DIRECTORS

P. G. Chitale
Ashok Mittal
R. K. Radhakrishna (*Executive Director*)
Chandra Shankar (*Special Director, BIFR*)

COMPANY SECRETARY

U. V. Kini

AUDITORS

M/s. Kamath & Rau
Chartered Accountants
Mangalore

BANKERS

State Bank of India
State Bank of Mysore
Bank of Maharashtra

REGISTRARS & SHARE TRANSFER AGENTS

Big Share Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate
Sakivihar Road
Saki Naka
Andheri (E)
Mumbai – 400 072

REGISTERED OFFICE

Survey No. 280
Eclate
Curtorim, Salcette
Goa – 403 709



NOTICE TO THE MEMBERS

Notice is hereby given that the 15th Annual General Meeting of the Members of Marmagao Steel Limited will be held on Saturday, 23rd August, 2003, at 4.30 p.m. at the Registered Office, Survey No. 280, Eclate, Curtorim, Goa to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Statement of Accounts for the year ended 31-03-2003 and to consider the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ashok Mittal, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and fix their remuneration. M/s. Kamath & Rau, Chartered Accountants, Mangalore retire and are eligible for reappointment.

SPECIAL BUSINESS:

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

“RESOLVED THAT approval be and is hereby

given for delisting the equity shares of the Company from the following stock exchanges:

- a) The Stock Exchange, Ahmedabad,
- b) The Delhi Stock Exchange Association Limited,
- c) The Calcutta Stock Exchange Association Limited,

as per the guidelines for voluntary delisting prescribed by the Securities and Exchange Board of India.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things to such extent as may be necessary, usual, proper or expedient to give effect to this resolution.”

By Order of the Board,

Registered Office:
Survey No. 280
Eclate, Curtorim
Salcette – Goa

U. V. KINI
Company Secretary

Date: 21-06-2003

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956, in respect of the business under item 4 above is annexed herewith.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. This instrument of proxy in order to be effective must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
4. Members desirous of obtaining any information concerning the accounts and operations of the Company, are requested to address their questions in writing to the Executive Director at least seven days before the date of the meeting, so that the information required may be made available at the meeting.



5. The documents referred to in the Notice are open for inspection at the Registered Office of the Company on any Working day during the business hours till the date of Annual General Meeting or any adjournment thereof.
6. Members are requested to:
 - a) Intimate to the Company change in their registered address, if any with pincode.
 - b) Quote Ledger Folio Number in all their correspondence.
 - c) Bring along their copy of the Annual Report to the meeting.
7. The Register of Members and the Share Transfer Books of the Company will remain closed from 20-08-2003 to 23-08-2003 (both days inclusive).

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

Item 4:

The Shares of the Company are presently listed at Ahmedabad, Delhi, Calcutta, Mangalore and Mumbai Stock Exchanges. It has been noticed that there is hardly any trading of the shares of the company in any of the Stock Exchanges. This trend has been continuing during the last 4-5 years. The Management feels that no useful purpose is being served by continuing to list its shares in all the stock exchanges. It is proposed to retain the listings at Mangalore and Mumbai Stock Exchanges and delist the company's shares from the other stock exchanges.

As per the SEBI Delisting of Securities Guidelines, 2003, a company may voluntarily delist its securities, provided, prior approval of the shareholders is obtained by way of Special Resolution in general meeting.

The Directors recommend this resolution to the members.

None of the Directors are interested in the Resolution.

By Order of the Board,

Registered Office:
Survey No. 280
Eclate, Curtorim
Salcette - Goa

Sd/-
U. V. KINI
Company Secretary

Date: 21-06-2003



DIRECTORS' FIFTEENTH ANNUAL REPORT

Dear Shareholders,

Your Directors are pleased to present the Fifteenth Annual Report along with the audited Statements of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

	For the Year ending 31-3-2003 (Rs. in Lakhs)	For the Year ending 31-03-2002 (Rs. in Lakhs)
Gross Sales	8808	6106
Interest and Other Income	14	42
Profit before Interest, Depreciation & Extra- ordinary Items	553	134
Interest	375	413
Depreciation	191	189
Prior Period Adjustments	61	109
Interest Waiver – BIFR	(62)	(3043)
Income Tax Provision Credit	(26)	(20)
Profit before Tax	14	2486
Provision for Taxation	–	–
Profit after Tax	14	2486

OPERATIONS:

The performance during the financial year 2002-03 has been good not only on account of the improvement in the domestic as well as global economy; but also on account of better productivity and streamlining of the production operations. Despite working capital constraints, we have achieved a production of 42,377 MT and 41,328 MT of billets and rolled products respectively as compared to 32,562 MT and 25,478 MT for the year ended 31-03-2002 thereby registering a growth of 31% and 62% respectively. Likewise, the sales turnover has shown a growth of 44%. As compared to the turnover of Rs. 61 Crores in the last financial year, the turnover stood at Rs. 88 Crores for the financial year 2002-03. Sustained efforts by the management to ensure better realisation and also to cut costs have resulted in better production and productivity. With the global and domestic market

continuing its upward trend, your Directors are confident of bettering the previous years performance.

REHABILITATION SCHEME:

The Board for Industrial and Financial Reconstruction New Delhi, (BIFR) has sanctioned the rehabilitation package on 21-11-2002. The Hon'ble BIFR by a further order dated 17-03-2003 has rectified certain omissions in the earlier order. The Company has complied with the requirement of repayment of the installment to Banks and Institutions by 31-03-2003.

The Scheme provides for the following reliefs and concessions.

- Waiver of Interest by Lending Institutions and Banks,
- Settlement of principal amount due to Institutions and Banks in four equal installments in full and final settlement of dues.
- Relief from Government of Goa in the form of power tariff concessions, waiver of power demand charges and Sales Tax and Entry Tax exemptions.
- Induction of the company's director Mr. Ashok Mittal as co-promoter who shall bring in Rs. 14 crores towards rehabilitation. Out of this, Rs. 10 crore will be in the form of loan and the balance Rs. 4 crores in the form of Equity for which equity shares will be allotted by way of a preferential issue.
- The Share Capital of the company will be derated (reduced) by 90%. This means that the face value of one equity share of Rs. 10/- will henceforth be Re 1/-. The necessary forms have already been filed with the Registrar of Companies, Goa (ROC). This will take effect when the same has been registered by the ROC.

BOARD:

During the period under review, Shri A. G. Poy Raiturkar resigned from the Directorship on the



Board of the Company. Your Directors have placed on record their deep appreciation of services rendered by him during his tenure.

The BIFR has appointed Mr. Chandra Shankar as Special Director on the board w.e.f. 02-04-2003.

Shri Ashok Mittal retires by rotation at the ensuing Annual General Meeting. He is eligible for reappointment. Your Directors recommend his reappointment.

Mr. Ashok Mittal is a commerce graduate and has been in the steel business for over 25 years. He has varied experience in promoting and operating steel plants and rolling mills. He has been associated with the rehabilitation of the company and has been inducted as a promoter by the BIFR. He is a member of the company's Audit and Shareholders Grievance Committees. He is also a director in: 1) Rukmini Finance Private Limited 2) Nityananda Trading and Investment Company Private Limited 3) Goa Springs Limited and 4) Goa Infralogistics Limited.

AUDITORS' REPORT:

As regards Item 14 of the MAOCARO report, the management is in the process of appointing a local firm of Chartered Accountants for conducting Internal Audit.

AUDITORS:

M/s. Kamath & Rau, Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

The Company continued its emphasis on upgradation of process technology and on energy conservation on a continuous basis. The details required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 Pursuant to Section 217 (1) (e) of The Companies Act, 1956 are given in the annexed form 'A' and 'B'.

PARTICULARS OF EMPLOYEES:

There were no employees during the year or for the part of the year and who were in receipt of

remuneration attracting the provisions of Section 217 (2A) of The Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

FOREIGN EXCHANGE EARNING AND OUTGO:

During the year under report, our Company has earned and expended foreign exchange as under:

Foreign exchange earned – Rs. 27.52 Lakhs

Foreign exchange outgo – Rs. 367.64 Lakhs

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217 (2AA) of The Companies Act, 1956, the Directors' state as under:

- (i) that in the preparation of the annual accounts, the applicable Accounting Standards has been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT:

The Board of Directors wishes to thank the Company's Shareholders, Employees, Customers, Suppliers, Bankers, Financial Institutions and the Government of Goa and its Agencies for their continued and unstinted support.

For and on behalf of the Board

Place: Curtorim
Date : 21-06-2003

Sd/-
P. G. CHITALE
Director



ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (1) (e) of The Companies Act, 1956
Total Energy Consumption and Energy Consumption per unit of production

FORM - A

A. POWER AND FUEL CONSUMPTION

	For the year ended 31-3-2003	For the year ended 31-3-2002
1. Electricity		
Purchased (Kwh in Lakhs)	362.83	275.64
Total Amount (Rs. in Lakhs)	1019.14	760.78
Rate/Kwh (in Rs.)	2.80	2.76
2. Furnace Oil		
Quantity (in '000 Litres)	2678	1725
Total Amount (Rs. in Lakhs)	279.62	170.01
Average Rate per Litre (in Rs.)	10.44	9.86
3. Others		
a) Compressed Oxygen		
Quantity (Cu. M.)	20428	23786
Total Amount (Rs. in Lakhs)	3.22	3.89
Average Rate/Cu. M. (in Rs.)	15.76	16.35
b) Dissolved Acetylene		
Quantity (Cu. M.)	-	287
Total Amount (Rs. in Lakhs)	-	0.38
Average Rate/Cu. M. (in Rs.)	-	132.40
c) Liquid Oxygen		
Quantity (Cu. M.)	801785	569119
Total Amount (Rs. in Lakhs)	96.03	68.11
Average Rate/Cu. M. (in Rs.)	11.98	11.97
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity - Kwh	856	847
Furnace Oil (Ltrs.)	63.19	52.97
OTHERS		
Compressed Oxygen (Cu. M.)	0.48	0.73
Dissolved Acetylene (Cu. M.)	-	0.01
Liquid Oxygen (Cu. M.)	18.92	17.48



FORM - B

TECHNOLOGY ABSORPTION

a) **Research and Development:**

The information on Research and Development is given in the Directors' Report under the head "Conservation of Energy and Technology Absorption".

b) **Technology Absorption, Adoption and Innovation:**

The relevant information is given in the Directors' Report under the head "Conservation of Energy and Technology Absorption".

c) **Foreign Exchange Earnings and Outgo:**

The information relating to Foreign Exchange Earnings and Outgo is given in the Directors' Report under the head "Foreign Exchange Earnings and Outgo".

For and on behalf of the Board

Place: Cuttack
Date : 21-06-2003

P. G. CHITALE
Director





MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE:

The company has set up a mini steel plant in Goa, on the West Coast of India with state-of-the-art technology. The company manufactures alloy and special steel through the Electric Arc Furnace route. The company produces Alloy Steel Billets and Flats. Most of the billets produced are for captive consumption for rolling into flats.

The main product of the company is spring steel flats, which is the raw material for leaf spring manufacturers. Leaf springs are used in automobiles.

The main raw materials required by the company are ferrous scrap, sponge iron, ferro alloys, burnt lime and coke. While ferrous scrap is imported, the other inputs are sourced domestically from all parts of the country.

OPPORTUNITIES AND THREATS:

Opportunities:

- The Company's plant is state-of-the-art with ISO 9002 affiliation.
- The plant is ideally located geographically as it is well connected by road, rail and sea.
- The plant is situated within 30 kms from the sea port.
- Goa has the lowest power cost in the country.
- Added to this the company has a highly motivated and talented work force. Labour relations have remained cordial.

Threats:

Mini Steel Plants are power intensive. The company enjoys power subsidy from the government for a limited period. However, power costs will rise when the said period is over. Fluctuating furnace oil costs also determine the profitability.

There is competition from small manufacturers of ingots, which use the induction furnace route.

RISKS AND CONCERNS:

Nature of the industry:

The company's main product at present is spring steel flats, which is the raw material for automobile leaf springs. Development of air suspension in the automobile industry is a risk the industry will have to face in future.

Technology:

With technology obsolescence being an inherent risk in any industry, the company is constantly upgrading and modernising its manufacturing process.

Financial:

With the increase in demand for steel, the steel industry is doing well since the last one year and there has been buoyancy in the global steel market. As the automobile sector has also done well in the previous year, the company is hopeful that the market for the company's products will also improve.

INTERNAL CONTROL SYSTEMS:

There are adequate internal control procedures commensurate with the size of the company and the nature of its business for:

- Purchase of stores and assets,
- Adequacy of accounting records and
- Authorisation for and record of transactions.

FINANCIAL PERFORMANCE:

The Company has been declared a 'sick company' by the BIFR. The BIFR has sanctioned a scheme for rehabilitation of the company. The scheme has been discussed in detail in the Directors' report.



The reliefs and concessions granted by the BIFR will go a long way in putting the company back on the recovery path.

The current year's financial performance has been discussed in detail in the Directors' Report forming part of this Annual Report.

INDUSTRIAL RELATIONS:

Industrial relations have remained cordial and good.

CAUTIONARY STATEMENT:

Statements in this report describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning applicable in securities law and regulations. Actual results could differ materially from those expressed or implied.

For and on behalf of the Board

Place : Curtorim, Goa
Date : 21-06-2003

P. G. CHITALE
Director

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