



MARMAGOA STEEL LIMITED

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Report & Accounts, 2005

IS/ISO 9001





BOARD OF DIRECTORS

Ashok Mittal (Chairman)
R. K. Radhakrishna (Managing Director)
Mrs. Kavita Mittal (Director)
P. G. Chitale (Director)
A. K. Sinha (Additional Director)

COMPANY SECRETARY

U. V. Kini

AUDITORS

M/s. Kamath & Rau
Chartered Accountants
Mangalore

BANKERS

State Bank of India
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

Plot No. 280, Eclate
Curtorim, Salcette
Goa - 403 709



NOTICE TO THE MEMBERS

Notice is hereby given that the 17th Annual General Meeting of the Members of Marmagao Steel Ltd. will be held on Tuesday, 20th September, 2005, at 4.30 p.m. at the Registered Office, Plot No. 280, Eclate, Curtorim, Goa to transact the following business as

ORDINARY BUSINESS:

1. To receive and adopt the Audited Statement of Accounts for the year ended 31.03.2005 and to consider the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P. G. Chitale, 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 an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 260 and other applicable provisions of the Companies Act, 1956 (the "Act"), Mr. A. K. Sinha who was appointed as Additional Director by the Board of Directors and who holds office as such Director only upto the date of this Annual General Meeting, be and is hereby appointed as Director of the company liable to retire by rotation, in respect of whom the company has received a notice in writing from a member together with the

requisite fees proposing his candidature for the office of Director as per the provisions of section 257 of The Act.

5. To consider and if thought fit to pass with or without modification the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in supersession of the resolution no.9 passed at the Annual General Meeting of the company held on 25-09-1993, consent be and is hereby granted to the Directors of the company under section 293(1)(d) of the Companies Act, 1956, (the Act) to borrow for and on behalf of the company from time to time, such further sums of money as may be required for the purposes of the company, (excluding temporary loans obtained from the company's bankers in the ordinary course of business) notwithstanding that the moneys so borrowed together with the moneys already borrowed by the company (apart from such temporary loans obtained/to be obtained from the company's bankers), may exceed the aggregate of the paid-up capital and free reserves, i.e to say reserves not set apart for any specific purpose.

Provided however that the total borrowings by the Board of Directors and outstanding at any one time shall not exceed the sum of Rs.75.00 crores (Rupees Seventy Five Crores only).

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



RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the existing Articles of Association be and are hereby altered in the manner and to the extent set out below:

The existing Article 159 be substituted by the following Article:

159. The Overall Managerial remuneration, payable by way of salary, dearness allowance, perquisites, commission and other allowances whether the company has made any profits in any financial year or has incurred a loss

in any financial year or if the profits are inadequate, shall be subject to the provisions of sections 198, 309 and Sections I and II of Part II of Schedule XIII and any other applicable provisions of the Companies Act, 1956 as amended from time to time.

By Order of the Board,

Registered Office:
Plot No. 280
Eclate, Curtorim
Salcette – Goa
Date: 29.06.2005

U. V. KINI
Company Secretary

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956; in respect of the business under items 4, 5 and 6 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 Managing 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 ShareTransfer Books of the Company will remain closed from 15-09-05 to 20-09-05 (both days inclusive).

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item 4:**

Mr. A. K. Sinha was appointed as Additional Director of the company at the Board Meeting held on 30th October, 2004 to hold office until the ensuing Annual General Meeting. The company has received a notice in writing together with the requisite fees proposing his candidature for the office of Director as per the provisions of section 257 of the Companies Act, 1956.

The Directors recommend this resolution to the members.

Except Mr. A. K. Sinha none of the other Directors are interested in this Resolution.

Item 5:

At the Annual General Meeting (AGM) dated 25-09-1993 the shareholders had granted permission under section 293(1)(d) of the Companies Act, 1956, (the Act) to the Directors to borrow moneys upto Rs. 35.00 Crores (excluding temporary loans obtained from the company's bankers in the ordinary course of business). The company has plans for expansion and refurbishment of its plant and machinery which requires additional funds. Hence it is necessary to empower the Board for the purpose of borrowing the required funds of the company. The shareholders have already granted permission under section 293(1)(a) of the Companies Act, 1956, at the AGM dated 12th July, 1991.

The Directors recommend this resolution to the members.

None of the Directors are interested in this Resolution.

Item 6:

Article 159 of the Articles of Association of the company deals with the payment of Managerial Remuneration to the Directors and Manager. It is proposed to insert the above Article to bring the payment of Managerial Remuneration in line with the provisions as stipulated in the Companies Act, 1956 and the Schedules thereto as amended from time to time.

The Directors recommend this resolution to the members.

The Directors can be deemed to be interested in the resolution to the extent remuneration is payable to them.

By Order of the Board,

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

Sd/-
U. V. KINI
Company Secretary

Date: 29.06.2005



DIRECTORS' SEVENTEENTH ANNUAL REPORT

Dear Shareholders,

Your Directors are pleased to present the Seventeenth Annual Report along with the audited Statements of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS:

	For the Year ending 31.03.2005 (Rs. in Lakhs)	For the Year ending 31.03.2004 (Rs. in Lakhs)
Gross Sales	18968	12817
Sale of Scrap on the High Seas	5878	-
Interest and Other Income	77	84
Profit before Interest, Depreciation & Extra- ordinary Items	2571	872
Interest	301	342
Depreciation	199	193
Prior Period adjustments	108	162
Income Tax Provision Credit (69)		(40)
Profit before tax	2032	215
Provision for taxation	—	—
Profit after tax	2032	215

OPERATIONS:

The sales for the year has registered an increase of 48 % over the previous year. The company's total income for the year stands at Rs.232.63Crores as against Rs.113.31Crores of the previous year. The production of 55855 MT an 54474MT of

billets and rolled products respectively as compared to 49163MT and 47871MT respectively for the year ended 31.03.2004 registered a growth of 13.60% and 13.80% respectively. The Profit before tax at Rs.20.32Crores has registered an increase of 845% over the previous year.

ISSUE OF ZERO COUPON BONDS:

The company owes an amount of Rs.29.41 crores to Essar Steel Limited, out of which Rs.7 crores was in the form of inter-corporate deposits and the balance Rs.22.41 crores as long term suppliers' credit. The Rehabilitation Package sanctioned by the BIFR, stipulates that the above dues were to be repaid without any interest. In line with the above requirement, the Board of Directors of the company, at the meeting held on 31-01-2005 converted the above mentioned dues into 10 year Unsecured Zero Coupon Bonds w.e.f 30th March, 2005. These Bonds shall not carry any interest and shall be redeemed at the end of 10 years from the date of issue. With this issue, the Net Working Capital position of the company has improved considerably.

REHABILITATION SCHEME:

In the last Annual Report, the Directors had reported that, on account of non-fulfilment of certain conditions of the sanctioned Scheme of Rehabilitation, the BIFR had issued a show cause notice dated 05.04.2004 to the company as to why the company should not be wound up. The company had preferred an appeal with the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) against the above notice. The Appeal was heard on 12.10.2004 and the



Hon'ble AAIFR was pleased to set aside the BIFR Order dated 05.04.2004, upon going through the merits of the case.

As per the BIFR Sanctioned Scheme, the entire dues including accrued interest of the Secured Lenders viz. IFCI Ltd., IDBI Ltd., ICICI Ltd., Catholic Syrian Bank Ltd., and State Bank of Mysore have been paid as on the date of this report. Apart from this, the entire principal dues of State Bank of India have also been paid. The aggregate sum of the amounts paid so far is Rs.22.90 crores. However, the interest accrued on the OTS dues of State Bank of India have not been paid for want of reconciliation of accounts/confirmation of the same.

BOARD:

Mr. A. K. Sinha was appointed as Additional Director of the company at the Board Meeting held on 30th October, 2004. He holds office until the ensuing Annual General Meeting. The company has received a notice in writing together with the requisite fees proposing his candidature for the office of Director as per the provisions of section 257 of the Companies Act, 1956. Mr. Sinha aged 65 years, holds a bachelor's degree in Engineering and has a total of 4 decades of experience in Steel Plant Management and the Mining Industry. He has 3 decades of experience in managing various SAIL steel plants across the country. He is a director on the Board of : i) Manipal Software Pvt. Ltd. ii) Manipal Springs Pvt. Ltd. and iii) Goa Infralogistics Ltd.

Your Directors recommend his appointment.

Shri P. G. Chitale retires by rotation at this Annual General Meeting and is eligible for reappointment. He has been director of the company since

21-03-95. Mr. Chitale is 64 years old. He is a Mechanical Engineer and has held senior positions in various steel companies. He is a director on the Board of : i) Sanghvi Movers Ltd. (also audit committee member), ii) Precision Camshafts Ltd., iii) Deccan Mechanical and Chemical Industries Ltd. iv) Amcane India Limited. v) Clancy Precision Components Pvt. Ltd.

MANAGERIAL REMUNERATION:

At the Annual General Meeting dated 23rd September, 2004, the members had approved the appointment of Mr. Ashok Mittal, Chairman of the company as whole-time-director and Mr. R.K. Radhakrishna as Managing Director of the company. The maximum yearly remuneration payable to each person, as per the resolution passed at the above AGM, was fixed at not more than 5% of the Net Profits of the company. Since the net profits for the year, as computed under section 349 and 350 of the Companies Act, 1956, are inadequate, the company has made an application to the Central Government for payment of Managerial Remuneration to the above two directors.

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) Rule, 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. 22.97 Lakhs

Foreign exchange outgo - Rs. 9561.41 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 have 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: Bangalore

Date: 29.06.2005

ASHOK MITTAL
Chairman



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 31-03-2005	For the year Ended 31-03-2004
1. Electricity		
Purchased (Kwh in Lakhs)	536.00	450.00
Total Amount (Rs. in Lakhs)	1476.93	1240.22
Rate/Kwh (in Rs.)	2.75	2.76
2. Furnace Oil		
Quantity (in '000 Litres)	2829	2498
Total Amount (Rs. in Lakhs)	336.92	291.94
Average Rate Per Litre (in Rs.)	11.91	11.69
3. Others		
a) Compressed Oxygen		
Quantity (Cu.M.)	31810	28225
Total Amount (Rs. in Lakhs)	4.88	4.19
Average Rate/Cu. M. (in Rs.)	15.34	14.86
b) Dissolved Acetylene		
Quantity (Cu. M.)	—	—
Total Amount (Rs. in Lakhs)	—	—
Average Rate/Cu. M. (in Rs.)	—	—
c) Liquid Oxygen		
Quantity (Cu. M.)	685996	590428
Total Amount (Rs. in Lakhs)	107.56	73.88
Average Rate/Cu. M. (in Rs.)	15.68	12.51

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity - Kwh	959.63	915.32
Furnace Oil (Ltrs)	50.65	50.81
OTHERS		
Compressed Oxygen (Cu. M.)	0.57	0.57
Dissolved Acetylene (Cu. M.)	—	—
Liquid Oxygen (Cu. M.)	12.28	12.00



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 : Bangalore

Date : 29.06.2005

ASHOK MITTAL

CHAIRMAN