



MARMAGOOA STEEL LIMITED



Report & Accounts, 2007

IS/ISO 9001





BOARD OF DIRECTORS

Ashok Mittal (Chairman)
R. K. Radhakrishna (Managing Director)
Mrs. Kavita Mittal
A. K. Sinha
P. J. Bhide
K. V. Ramarathnam (Additional Director)

COMPANY SECRETARY

U. V. Kini

AUDITORS

M/s. Kamath & Rau
Chartered Accountants
Mangalore

BANKERS

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 19th Annual General Meeting of the Members of Marmagao Steel Ltd. will be held on Saturday, 29th September, 2007 at 4.00 p.m. at the Registered Office, Survey 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 31.03.2007 and to consider the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri. A. K. Sinha, 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 Mr. K. V. Ramarathnam 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 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.

By Order of the Board,

Registered Office:

U. V. KINI

Survey No. 280

Company Secretary

Eclate, Curtorim

Salcette - Goa

Date: 29.06.2007

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 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 25.09.2007 to 29.09.2007 (both days inclusive).

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

Item 4:

Mr. K. V. Ramarathnam was appointed as Additional Director of the company at the Board Meeting held on 29th June, 2007 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. K. V. Ramarathnam none of the other Directors are interested in this Resolution.

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

Date: 29.06.2007

By Order of the Board,

Sd/-
U. V. KINI
Company Secretary



DIRECTORS' NINETEENTH ANNUAL REPORT

Dear Shareholders,

Your Directors are pleased to present the Nineteenth Annual Report along with the audited Statements of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS:

	For the Year ending 31.03.2007 (Rs. in Lakhs)	For the Year ending 31.03.2006 (Rs. in Lakhs)
Gross Sales	18260	17972
Sale of Scrap on the High Seas	0	2585
Interest and Other Income	149	267
Profit before Interest, Depreciation & Extra ordinary items	639	1571
Interest	370	287
Depreciation	211	204
Prior Period adjustments	(77)	44
Profit before tax	135	1036
Provision for taxation	38	212
Profit after tax	97	824

OPERATIONS:

The Gross Sales for the current financial year contains an element of freight amounting to about Rs.9.00 crores consequent to the FOR method of sales invoicing adopted from this year. Hence the current year's Gross Sales are not comparable to that of the previous year.

The gross sales for the year stands at Rs183 Crores as against Rs. 180 Crores of the previous year. The production was 55562 MT and 53970 MT of billets and rolled products respectively as compared to 60,163 MT and 53000 MT respectively for the year-ended 31.03.2006. The Profit before tax stands at Rs.1.35 Crores as against Rs. 10.36 Crores of the previous year. The lower profitability for the year is mainly on account of the impact of lower sales realization due to fall in market.

BOARD:

Mr. P. J. Bhide was appointed a new Director under section 257 of the Companies Act, 1956 at the last annual General Meeting.

Shri P. G. Chitale expired during the year. Shri Chitale was the source of inspiration to the company. The company had benefited immensely from his experience and knowledge. The Board of Directors place on record their appreciation for the services rendered by Shri P. G. Chitale to the company.

Mr. K. V. Ramarathnam was appointed as Additional Director of the company at the Board Meeting held on 29th June, 2007. 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. K. V. Ramarathnam aged 58, holds a bachelor's degree in Mechanical Engineering. He has more than 35 years experience in the steel Industry. He has headed various steel plants both



in India and abroad and is presently the Managing Director of Mahindra UGINE Steel Co. Ltd.

Shri A. K. Sinha retires by rotation at this Annual General Meeting and is eligible for reappointment. Mr. Sinha aged 67 years, holds a bachelor's degree in Engineering and has a total of 40 years experience in steel plant management and mining industry. He has 3 decades of experience in managing various SAIL plants across the country. He is also a director on the Board of Goa Infralogistics Limited.

REHABILITATION SCHEME:

The BIFR Sanctioned Scheme for rehabilitation of the company, has been fully implemented by all the concerned Agencies. viz. Financial Institutions, Banks and Promoter; except the State Government of Goa.

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. To increase the volume of production and value addition to its products, the company has set up an additional rolling mill to produce thinner flats, rounds and hexagonals for the automobile industry.

For producing high value items like alloy and stainless steel the company is installing Vacuum Degassing and Vacuum Oxygen Decarbonisation facilities. The work on the same has already commenced and it is expected to be operational from October, 2007.

The Continuous Casting machine has been upgraded with addition of Electro Magnetic Stirrer and Auto Cutters thereby giving further boost to the product quality.

The facilities mentioned above will not only be adding value to the company products but also improving the top and bottomline of performance.

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 62.81 Lakhs

Foreign exchange outgo - Rs. 2151.00 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Opportunities and threats:

Opportunities:

The Company's plant, in the west coast of India, has the state-of-the-art facilities with ISO 9001 and 14001 affiliations. The company is well connected by road, rail and sea. The company enjoys the benefits of the lowest power cost in the country, proximity to the sea port and cordial labour relations. The Company manufactures alloy and special steel through the Electric Arc Furnace route to produce Alloy Steel Billets, Flats, and Rounds. Most of the billets produced are for captive consumption for re-rolling.

The main product of the Company is spring steel flats, which is the key component for manufacture of leaf spring used in automobiles.

The Steel industry is presently doing well due to the growth in automobile, construction and infrastructural activities.

Threats:

The high demand for steel has given rise to opening of new indigenous sources offering materials at

lower prices. Further, lower priced steel is also available from other routes producers as well as from Chinese imports.

Risks and Concerns:

Nature of the industry:

The company presently produces mostly spring steel for the auto industry. This segment has very high competition. The management is considering development of alternate products such as Alloy, Special and Free-cutting steel for the automobile sector and also for exports to improve the company's performance.

Technology:

With technology obsolescence being an inherent risk in any industry, the Company is constantly upgrading and modernising its manufacturing process. The company has commissioned an Electro Magnetic Stirrer and is in the process of commissioning a Vacuum Degassing System / Vacuum Oxygen Decarbonisation for the melting process for improvement in the quality of the steel billets. The company is now in a position to cater to the stringent requirement of the Automobile, Defence and Railways sectors.

Financial:

With the increase in demand for steel, the steel industry is doing well since the last three years. The buoyancy in the global steel market has shown no signs of abating. 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.

Outlook:

There is resurgence in developmental activities for building and improvement of infrastructural activities such as construction of highways



and building complexes. There is also an increase in production of different types of vehicles, which has in turn increased the demand for the products of the Company. It is envisaged that the present scenario will prevail for the next eight to ten years.

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, and sales of its products.
- Adequacy of accounting records and
- Authorisation for and record of transactions.

Financial Performance

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.

ACKNOWLEDGEMENT:

The Board of Directors wishes to thank the Company's shareholders, employees, customers, suppliers, bankers, and the Government of Goa and its agencies for their continued and unstinted support.

For and on behalf of the Board,

Place: Bangalore
Date: 29.06.2007

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 31-03-2007	For the year Ended 31-03-2006
1. Electricity		
Purchased (Kwh in Lakhs)	581.97	556.22
Total Amount (Rs. In Lakhs)	1647.87	1598.62
Rate/Kwh (in Rs.)	2.83	2.87
2. Furnace Oil		
Quantity (in '000 Litres)	2660	2572
Total Amount (Rs. In Lakhs)	431.04	410.50
Average Rate Per Litre (in Rs.)	16.20	15.96
3. Others		
a) Compressed Oxygen		
Quantity (Cu.M.)	736810	237073
Total Amount (Rs. in Lakhs)	90.28	29.10
Average Rate/Cu. M. (in Rs.)	12.25	12.27
b) Dissolved Acetylene		
Quantity (Cu. M.)	-	-
Total Amount (Rs. in Lakhs)	-	-
Average Rate/Cu. M. (in Rs.)	-	-
c) Liquid Oxygen		
Quantity (Cu. M.)	375588	542823
Total Amount (Rs. in Lakhs)	35.27	83.58
Average Rate/Cu. M. (in Rs.)	9.39	15.40
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity - Kwh	955.71	924.52
Furnace Oil (Ltrs)	50.12	50.18
OTHERS		
Compressed Oxygen (Cu. M.)	13.26	3.94
Dissolved Acetylene (Cu. M.)	-	-
Liquid Oxygen (Cu. M.)	6.76	9.02



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".

Place : Bangalore

Date : 29.06.2007

For and on behalf of the Board

ASHOK MITTAL
CHAIRMAN