



# **MARMAGOA STEEL LIMITED**

## **Report & Accounts, 2010**

IS/ISO 9001





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## **BOARD OF DIRECTORS**

Ashok Mittal (Chairman)  
R. K. Radhakrishna (Managing Director)  
Mrs. Kavita Mittal  
A. K. Sinha  
P. J. Bhide  
K. V. Ramarathnam  
M. K. Garg (Special Director, BIFR)

## **COMPANY SECRETARY**

U. V. Kini

## **AUDITORS**

M/s. Kamath & Rau  
*Chartered Accountants*  
Mangalore

## **BANKERS**

Bank of Maharashtra, Margao  
Union Bank of India, Panaji

## **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

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## NOTICE TO THE MEMBERS

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of Marmagao Steel Ltd. will be held on Saturday, 7<sup>th</sup> August, 2010 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 31.03.2010 and to consider the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri. K. V. Ramarathnam 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.

By Order of the Board,

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

Date: 31.05.2010

Sd/-  
**U. V. KINI**  
Company Secretary

### Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. The Register of Members and the ShareTransfer Books of the Company will remain closed from **01-08-2010 to 07-08-2010** (both days inclusive).



## DIRECTORS' TWENTYSECOND ANNUAL REPORT

*Dear Shareholders,*

Your Directors are pleased to present the Twentysecond Annual Report along with the audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS:

	For the Year ending 31.03.2010 (Rs. in Lakhs)	For the Year ending 31.03.2009 (Rs. in Lakhs)
Gross Sales	16402	18680
Interest and Other Income	39	19
Loss before Interest, Depreciation &		
Extra ordinary Items	(566)	99
Interest	787	742
Depreciation	281	279
Prior Period adjustments	(6)	(144)
(Loss)/Profit before tax	(1640)	(778)
Provision for taxation	(5)	(139)
(Loss)/Profit after tax	(1635)	(639)

### OPERATIONS:

The gross sales for the year stands at Rs.164 Crores as against Rs. 187 Crores of the previous year. The production was 45187 MT and 44596 MT of billets and rolled products respectively as compared to 40669 MT and 39259 MT respectively for the year-ended 31.03.2009. The Loss before tax stands at Rs.16.40 Crores as

against a Loss of Rs. 7.78 Crores of the previous year.

The current year's performance was adversely affected on account of the carry over effect of the global recession, break down of the main furnace Transformer and labour unrest.

### BOARD:

Shri M. K. Garg was nominated as Special Director by the Board for Industrial and Financial Reconstruction (BIFR) during the year.

Sri K. V. Ramarathnam retires by rotation at this Annual General Meeting and is eligible for reappointment. Mr. K. V. Ramarathnam aged 60, 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. He is also a member of the Company's Audit Committee, Investors' Grievance Committee and Remuneration Committee.

### REHABILITATION SCHEME:

The BIFR Sanctioned Scheme has been fully implemented by all the concerned Agencies. viz. Financial Institutions, Banks and Promoter; except the State Govt. of Goa. The Government of Goa has however recently constituted an empowered committee to look into the matter to enable the Government to come to a decision.

### 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 additional facilities installed during the previous year for improved quality of production like Vacuum Degassing and Vacuum Oxygen Decarbonisation, Electro Magnetic Stirrer and Auto Cutters are functioning satisfactorily.

The facilities mentioned above will not only be adding value to the company's products but also improving the top and bottom line 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 annexure 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.NIL

Foreign exchange outgo - Rs.3907.47 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.

## **Disclosure on Voluntary Corporate Governance Guidelines:**

The Ministry of Corporate Affairs has issued a set of Voluntary guidelines called "Corporate Governance - Voluntary Guidelines 2009" in December, 2009. The guidelines include conditions for composition of board, appointment of directors, scope and role of audit committee, Secretarial Audit Report and Institution of mechanism for whistle blowing etc. The company is substantially complying with the recommendations on the Audit committee and is taking steps towards implementation of other guidelines.



## **Management Discussion And Analysis**

### **Opportunities and threats:**

#### **Opportunities:**

The Company's plant, in the West Coast of India, has 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. 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 company faces competition from other steel mills in the country who can offer the same products at a lower price mainly due to locational advantage.

### **Risks and Concerns:**

#### ***Nature of the industry:***

The company presently produces Alloy Steel rounds and Steel flats for the automobile industry. This segment has very high competition. The management is considering development of alternate products 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 has commissioned 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, defense and Railways sectors. During the year the company has diversified its product mix and has started manufacturing special steel rounds to cater to the forging industry.

#### ***Financial:***

The impact of the Global economic meltdown has had an adverse impact on the liquidity position of the company's finances. Added to this, the company's main Furnace Transformer broke down during the year and had to be replaced. There was also a brief period of labour unrest during the year, during which period all activities had to be stopped.

#### **Outlook:**

There is a good demand for the company's product. The management is confident that there will be no fall in demand for its product in the near future.

### **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.

The company has appointed a firm of Chartered Accountants as Internal Auditors who submit their quarterly report to the Audit Committee.

### **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**

The company faced a brief period of labour unrest during the year. The matter under contention has since been resolved. The company has also signed the wage agreement with the Labour Union, which will be effective for a period of four years.

### **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,

Sd/-

Place: Curtorim  
Date: 31.05.2010

**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 31-3-2010	For the year Ended 31-3-2009
<b>1. Electricity</b>		
Purchased (Kwh in Lakhs)	468.46	465.65
Total Amount (Rs. In Lakhs)	1622.77	1376.08
Rate/Kwh (in Rs.)	3.46	2.95
<b>2. Furnace Oil</b>		
Quantity (in '000 Litres)	2497	2294
Total Amount (Rs. In Lakhs)	552	568
Average Rate Per Litre (in Rs.)	22.17	24.76
<b>3. Others</b>		
a) Compressed Oxygen		
Quantity (Cu.M.)	718914	883355
Total Amount (Rs. in Lakhs)	95.020	111.41
Average Rate/Cu. M. (in Rs.)	13.21	12.61
b) Dissolved Acetylene		
Quantity (Cu. M.)	—	—
Total Amount (Rs. in Lakhs)	—	—
Average Rate/Cu. M. (in Rs.)	—	—
c) Liquid Oxygen		
Quantity (Cu. M.)	380417	278694
Total Amount (Rs. in Lakhs)	36.00	24.80
Average Rate/Cu. M. (in Rs.)	9.46	8.90

#### B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity – Kwh	949.82	992.52
Furnace Oil (Ltrs)	55.99	58.43
<b>OTHERS</b>		
Compressed Oxygen (Cu. M.)	15.90	21.72
Dissolved Acetylene (Cu. M.)	—	—
Liquid Oxygen (Cu. M.)	8.42	6.85



## 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

Sd/-

Place : Cuttack

Date : 31.05.2010

**ASHOK MITTAL**  
CHAIRMAN