



MARMAGOA STEEL LIMITED

Report & Accounts, 2011

ISO 9001



**BOARD OF DIRECTORS**

Ashok Mittal (Chairman)
R. K. Radhakrishna (Managing Director)
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 23rd Annual General Meeting of the Members of Marmagao Steel Ltd. will be held on Friday 30th September, 2011 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 31.03.2011 and to consider the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri. P. J. Bhide 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(s) the following resolution as an Ordinary Resolution:-

“RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the

Company held on 20.09.2005, 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) not withstanding that the moneys so 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.250.00 Crores (Rupees Two Hundred and Fifty Crores only)

By Order of the Board,

Registered Office:
Survey No. 280
Eclate, Curtorim
Salcette – Goa
Date:30-07-2011

Sd/-
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 item 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 Share Transfer Books of the Company will remain closed from 25-09-2011 to 30-09-2011 (both days inclusive).

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

ITEM 4

The members had earlier given the approval for a total borrowing limit of Rs.75.00 crores at the 17th Annual General Meeting dated 20-09-2005. With the rise in cost of raw materials and other manufacturing expenses the company's requirement of working capital has risen over time. The present working capital requirement is well over the above sanctioned limit. Hence approval of the members is sought for increasing the borrowing limits to Rs. 250 Crores.

None of the Directors are interested in this resolution. The directors recommend this resolution to the members.

By Order of the Board,

-sd

Registered Office:
Survey No. 280
Eclate, Curtorim
Salcette – Goa
Date:30-07-2011

U. V. KINI
Company Secretary



DIRECTORS' TWENTYTHIRD ANNUAL REPORT

Dear Shareholders,

Your Directors are pleased to present the Twenty Third Annual Report along with the audited Statements of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

	For the Year ending 31.03.2011 (Rs. in Lakhs)	For the Year ending 31.03.2010 (Rs. in Lakhs)
Gross Sales	20510	16402
Interest and Other Income	69	39
Profit/(Loss) before Interest, Depreciation & Extra ordinary Items	752	(566)
Interest	937	787
Depreciation	284	281
Prior Period adjustments	0	(6)
(Loss)/Profit before tax	(469)	(1640)
Provision for taxation	73	5
(Loss)/Profit after tax	(542)	(1635)

OPERATIONS:

The gross sales for the year stands at Rs. 205 Crores as against Rs. 164 Crores of the previous year. The production was 49356 MT and 48139 MT of billets and rolled products respectively as compared to 45187 MT and 44596 MT respectively for the year-ended 31.03.2010. The Loss before tax stands at Rs. 4.69 Crores as against a Loss of Rs.16.40 Crores of the previous year.

The current year's performance was adversely affected on account of the break down of the main furnace Transformer and labour unrest.

BOARD:

Smt. Kavita Mittal resigned during the year. The Board places on record its appreciation for the services rendered to the company by Smt. Kavita Mittal during her tenure as director.

Sri P. J. Bhide, retires by rotation at this Annual General Meeting and is eligible for reappointment. Mr. Bhide, aged 77 years, is a Practicing Chartered Accountant and has vast experience in accounting and taxation. He is the Chairman of the company's audit committee and a member of the company's remuneration committee. He is a director in 1. Coorg Tea Company Limited, 2. Plenty Valley Intra Limited, 3. Greenfield Exports Limited, 4. Unick Fix-A-Form & Printers Limited, 5. Belsund Sugar and Industries Limited and 6. Goa Springs Limited. Your Directors recommend his appointment.

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 company has installed facilities for improved quality of production like Vacuum Degassing and Vacuum Oxygen Decarbonisation, Electro Magnetic Stirrer and Auto Cutters.

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.4331.29 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. The Company is substantially complying with the recommendations on Audit committee and Internal Auditors 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, defence 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 is still being felt which has had an adverse impact on the liquidity position of the company's finances. 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 w.e.f. 1.10.2010 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.

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: 30/07/2011

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 31-3-2011	For the year Ended 31-3-2010
1. Electricity		
Purchased (Kwh in Lakhs)	523.31	468.46
Total Amount (Rs. In Lakhs)	1823.97	1622.77
Rate/Kwh (in Rs.)	3.48	3.46
2. Furnace Oil		
Quantity (in '000 Litres)	2695	2497
Total Amount (Rs. In Lakhs)	676	552
Average Rate Per Litre (in Rs.)	25.08	22.17
3. Others		
a) Compressed Oxygen	973812	718914
Quantity (Cu.M.)	128.777	95.020
Total Amount (Rs. in Lakhs)	13.22	13.21
Average Rate/Cu. M. (in Rs.)		
b) Dissolved Acetylene		
Quantity (Cu. M.)	—	—
Total Amount (Rs. in Lakhs)	—	—
Average Rate/Cu. M. (in Rs.)	—	—
c) Liquid Oxygen		
Quantity (Cu. M.)	233015	380417
Total Amount (Rs. in Lakhs)	22.62	36.00
Average Rate/Cu. M. (in Rs.)	9.71	9.46

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity – Kwh	975.29	949.82
Furnace Oil (Ltrs)	55.98	55.99
OTHERS		
Compressed Oxygen (Cu. M.)	19.73	15.90
Dissolved Acetylene (Cu. M.)	—	—
Liquid Oxygen (Cu. M.)	7.72	8.42



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 : 30/07/2011

Sd/-
ASHOK MITTAL
CHAIRMAN