



MARMAGOA STEEL LIMITED

Report & Accounts, 2012

IS/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)

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 24th Annual General Meeting of the Members of Marmagoa Steel Ltd. will be held on Saturday 29th September, 2012 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 31.03.2012 and to consider the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri 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.

By Order of the Board,

Registered Office:

Survey No. 280

Eclate, Curtorim,

Salcette – Goa

Sd/-

R.K.Radhakrishna

Managing Director

Date: 29.06.2012

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 Share Transfer Books of the Company will remain closed from 24-09-2012 to 29-09-2012 (both days inclusive).



DIRECTORS' TWENTY FOURTH ANNUAL REPORT

Dear Shareholders,

Your Directors are pleased to present the Twenty Fourth Annual Report along with the audited Statements of Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

	For the Year ending 31.03.2012 (Rs. in Lakhs)	For the Year ending 31.03.2011 (Rs. in Lakhs)
Gross Sales	17699	20510
Interest and Other Income	35	67
Profit/(Loss) before Interest, Depreciation & Extra ordinary Items	94	752
Interest	1050	937
Depreciation	281	284
Prior Period adjustments	2	0
(Loss)/Profit before tax	(1239)	(469)
Provision for taxation	(117)	73
(Loss)/Profit after tax	(1122)	(542)

OPERATIONS:

The gross sales for the year stands at Rs. 177 Crores as against Rs. 205 Crores of the previous year. The production was 37680 MT and 35606 MT of billets and rolled products respectively as compared to 49356 MT and 48139 MT respectively for the year ended 31.03.2011. The Loss before tax stands at Rs. 12.39 Crores as against a Loss of Rs.4.69 Crores of the previous year.

The current year's performance was adversely affected on account of the lower capacity utilization for want of sufficient working capital facilities.

BOARD:

Sri A. K. Sinha, retires by rotation at this Annual General Meeting and is eligible for reappointment. Mr. Sinha, aged 71 years, holds a Bachelor's degree in Engineering and has a total of 45 years experience in steel plant management and mining industry. He has 3 decades of experience in managing SAIL plants across the country. He is also a director on the Board of Goa Infralogistics 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.

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. 3283.94 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, defense and Railways sectors.

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.

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

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,

sd/-

Place: Camp, Bangalore
Date: 29.06.2012

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 31-3-2012	For the year Ended 31-3-2011
1. Electricity		
Purchased (Kwh in Lakhs)	362.39	523.31
Total Amount (Rs. In Lakhs)	1235.58	1823.97
Rate/Kwh (in Rs.)	3.41	3.48
2. Furnace Oil		
Quantity (in '000 Litres)	2071	2695
Total Amount (Rs. In Lakhs)	699	676
Average Rate Per Litre (in Rs.)	33.75	25.08
3. Others		
a) Compressed Oxygen		
Quantity (Cu.M.)	753100	973812
Total Amount (Rs. in Lakhs)	99.668	128.777
Average Rate/Cu. M. (in Rs.)	13.23	13.22
b) Dissolved Acetylene		
Quantity (Cu. M.)	—	—
Total Amount (Rs. in Lakhs)	—	—
Average Rate/Cu. M. (in Rs.)	—	—
c) Liquid Oxygen		
Quantity (Cu. M.)	60499	233015
Total Amount (Rs. in Lakhs)	6.64	22.62
Average Rate/Cu. M. (in Rs.)	10.98	9.71

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity – Kwh	882.75	975.29
Furnace Oil (Ltrs)	58.16	55.98
OTHERS		
Compressed Oxygen (Cu. M.)	19.98	19.73
Dissolved Acetylene (Cu. M.)	—	—
Liquid Oxygen (Cu. M.)	1.60	4.72



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 : Camp, Bangalore
Date : 29.06.2012

Sd/-
ASHOK MITTAL
CHAIRMAN



CORPORATE GOVERNANCE REPORT

I. CORPORATE GOVERNANCE PHILOSOPHY:

Corporate Governance is an essential part of the management where the stress is on excellence in manufacture and delivery of the Company's products, which meet the highest quality standards. At Marmagao Steel Limited, emphasis is on continuous improvement in all areas of activities for constantly enhancing value for all the stakeholders of the company and also for employee growth. The affairs of the company will be run in such manner so as to achieve continuous and sustained improvement in all areas of activity which would help realize the company's objective of maximizing value for all stakeholders of the company.

II. BOARD COMPOSITION:

Size:

There are presently Six Directors on the Board viz.:

- a. Mr. Ashok Mittal - Chairman
- b. Mr. R. K. Radhakrishna - Managing Director
- c. Mr. A. K. Sinha - Director
- d. Mr. P. J. Bhide - Director
- e. Mr. K. V. Ramarathnam - Director
- f. Mr. M. K. Garg - Special Director, BIFR

Board Meetings:

Five Board meetings were held during the year 2011-12 on:

14/05/2011, 30/07/2011, 14/08/2011, 14/11/2011 and 15/03/2012

Managerial Remuneration:

Managerial Remuneration Under section 198 of the Companies Act, 1956 paid to

(i) The Chairman – Mr. Ashok Mittal

	For the year ended 31.03.2012	For the year ended 31.03.2011
House rent paid	180000	180000
Other Perquisites	235093	69375
	415033	249375