

# 19<sup>TH</sup> ANNUAL REPORT

2011 - 2012

MIDEAST INTEGRATED STEELS LTD.



**MESCO STEEL**

Partnering Progress

**NEW SINTERING PLANTS & EXPANDED RMHS**

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## **NOTICE**

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Members of Mideast Integrated Steels Ltd. will be held on Wednesday, the 26<sup>th</sup> September, 2012 at 10.30 am at Sri Fort Auditorium, Hall No. 1, Asiad Village, New Delhi-110 049 to transact the following business.

### **Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and the Profit and Loss Account for the year ended on that date and the reports of Auditors and Directors thereon.
2. To Declare a Dividend on the Equity Shares
3. To appoint a Director in Place of Mr. J.K Singh who retires by rotation
4. To appoint a Director in Place of Mr. R.H Rao who retires by rotation
5. To Re-appoint M/s Sangram Paul & Company as Auditors of the company and to fix their remuneration  
To Appoint M/s Tadarwal & Tadarwal Chartered Accountant as Joint Auditor of the company and to fix their remuneration

### **Special Business**

To consider and if thought fit to pass the following as Ordinary Resolution

6. "RESOLVED THAT Mr. Debi Prasad Bagchi who was appointed as Additional Director from 27<sup>th</sup> March, 2012 be and is hereby appointed as a Director of the company."
7. "RESOLVED THAT Mr. Sanjiv Batra who was appointed as Additional Director from 27<sup>th</sup> March, 2012 be and is hereby appointed as a Director of the company."
8. "RESOLVED THAT Mr. Nandanandan Mishra who was appointed as Additional Director from 27<sup>th</sup> March, 2012 be and is hereby appointed as a Director of the company."
9. "RESOLVED THAT Mr. Madhukar who was appointed as Additional Director from 13<sup>th</sup> April, 2012 be and is hereby appointed as a Director of the company."
10. "RESOLVED THAT Mr. Puran Chandra Sahu who was appointed as Additional Director from 1<sup>st</sup> June, 2012 be and is hereby appointed as a Director of the company."

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution**

#### **11. To shift the Registered office of the company**

"RESOLVED THAT subject to provisions of sections 17, 18 and other applicable provisions of the Companies Act, 1956 and subject to the approvals of the Competent Government Authorities the Registered office of the company be and is hereby shifted from H-1, Zamrudpur, Community Centre, Kailash Colony, New Delhi - 110 048 to Mesco Towers, 3915, Lewis Road, Kedar Gauri Square Bhubaneswar - 751 002, Odisha.

RESOLVED FURTHER THAT the Clause II of the Memorandum of Association of the company be and is hereby substituted by the following clause:

"The Registered office of the company will be situated in the State of Odisha."

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution**

#### **12. To reappoint Mrs. Rita Singh as a Managing Director**

"RESOLVED THAT in accordance with the sections 198, 269, 309 and 317 read with schedule XIII

and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, approval of the members be and is hereby accorded to the re-appointment of Mrs. Rita Singh as a Managing Director for a period of 5 years w.e.f. 1.08.2012 on the terms and conditions as set out in the Explanatory statement annexed to the notice.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary to give effect to this resolution."

None of the Directors except Mrs. Rita Singh, Mr. J.K. Singh and Ms Natasha Singh Sinha is interested in the resolution.

Board recommends it for your approval.

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution.**

**13. To reappoint Ms. Natasha Singh Sinha as a whole time Director**

"RESOLVED THAT in accordance with the sections 198, 269, 309 and 317 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, approval of the members be and is hereby accorded to the re-appointment of Ms. Natasha Singh as Director (Finance) of the Company for a period of 5 years w.e.f. 1.04.2012 on the terms and conditions as set out in the Explanatory statement annexed to the notice.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary to give effect to this resolution."

None of the Directors except Mrs. Rita Singh, Mr. J.K. Singh and Ms Natasha Singh Sinha is interested in the resolution.

Board recommends it for your approval.

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution.**

**14. Payment of Remuneration to Mr. J.K. Singh, Director**

"RESOLVED THAT in accordance with the sections 198, 269, 309 and 317 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, approval of the members be and is hereby accorded for payment of Remuneration w.e.f. 1.04.2012 on the terms and conditions as set out in the Explanatory statement annexed to the notice.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary to give effect to this resolution."

None of the Directors except Mrs. Rita Singh, Mr. J.K. Singh and Ms. Natasha Singh Sinha is interested in the resolution.

Board recommends it for your approval.

**Special Resolution**

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.**

**15. To appoint Ms. Shipra Singh as General Manager- Procurement & Materials**

"RESOLVED THAT in accordance with the section 314 (1B) and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof and subject to the approval of Central Government, approval of the members be and is hereby accorded to the appointment of Ms. Shipra Singh as General Manager - Procurement & Materials from 1.04.2012

on the terms and conditions as set out in the Explanatory statement annexed to the notice.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary to give effect to this resolution.”

None of the Directors except Mrs. Rita Singh, Mr. J.K Singh and Ms. Natasha Singh Sinha are interested in the resolution.

Board recommends it for your approval.

**To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.**

**16. Payment of Remuneration to Independent Directors.**

“RESOLVED THAT in terms with Article 139 of the Articles of Association of the Company and Clause (b) of Sub –section (4) of section 309 of the Companies Act, 1956, and subject to approval of such statutory authorities, as may be required, authority be and is hereby accorded to the payment to the Directors of the Company not being Managing/Whole time Director(s) of the Company (to be divided among the Directors not in whole time employment of the Company in such manner, as the Board of Directors may from time to time determine) one percent of the net profits of the Company subject to a ceiling in each financial year over a period of five years including the financial year of the Company ending on 31<sup>st</sup> March, 2013.”

None of the Directors except independent Directors are interested in the resolution.

Board recommends it for your approval.

**Notes**

1. A member entitled to attend and vote at the meeting is entitled to appoint Proxy to attend and vote instead of himself/herself and Proxy need not be a member of the company
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to ITEM No. 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 are annexed
3. SKYLINE FINANCIAL SERVICES PVT. LTD. “D-153 A, first Floor, Okhla Industrial Area, Phase -1, New Delhi-110 020” is the Registrar and Share Transfer Agent of the company
4. Members are requested to bring their attendance slip and their copy of the Annual Report. Proxy Form and attendance slip is attached.
5. Registers of Members will be closed from 15<sup>th</sup> September 2012 to 19<sup>th</sup> September 2012

**Place: New Delhi**

**Date: 31.08.2012**

**By order of the Board**

**Company Secretary**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

1. Item No. 6 to 10 :

The following persons were appointed as Additional Director of the company from the dates indicated against each.

- a) Mr. Debi Prasad Bagchi - 27.03.2012
- b) Mr. Sanjiv Batra - 27.03.2012
- c) Mr. Nandanandan Mishra - 27.03.2012
- d) Mr. Madhukar - 13.04.2012
- e) Mr. Puran Chandra Sahu - 01.06.2012

None of the Directors except the above Directors are interested in this Resolution. Board recommends for your approval

## 2. Item No. 11 - Shifting of Registered Office

The Steel Plant is situated at Kalinga Nagar Industrial Area at Jajpur, Odisha. The Mines of the company are also situated in Barbil, District Keonjhar of Odisha. To expedite and closely monitor the ongoing activities, expansion of the steel plant, putting up of other green field projects and utilize the facilities available in Bhubaneswar, it is considered desirable to keep the registered office of the company in state of Orissa at Bhubaneswar or Jajpur subject to necessary approval of Government Authorities and Company Law Board. The Board recommends your approval and none of the Directors are interested in this resolution.

**ITEM NO. 12**

Mrs. Rita Singh is appointed as Managing Director for a period of 5 years from 1.08.2012 on the following remuneration approved by the Remuneration Committee:

**A. Salary**

₹ 15 Lakhs Per month

**B. Perquisites**

- i. Housing - Nil
- ii. Chauffer Driven Car - Leased by the company
- iii. Leave Travel concession - For Self and family as per company rules/policy
- iv. Medical reimbursement - Limited to one month salary per year
- v. Club Facility - Membership of maximum of 2 clubs
- vi. Entertainment Expenses - Actual
- vii. Provident Fund, Gratuity, Encashment of leave and other terminal benefits as per company policy and statutory requirements.

**C. Other Perquisites**

Use of the company car, telephone, travelling expenses etc. for use for companies business

**D. Commission**

Commission of 1% of Net Profits of the company as computed under section 198, 309, 349 and 350 of the companies Act, 1956 or any other statutory modification or any orders of the Board if applicable

**ITEM NO. 13**

Ms Natasha Singh Sinha is appointed as Whole time Director for a period of 5 years from 1.04.2012 on the following remuneration approved by the Remuneration Committee:

**A. Salary**

₹ 7.25 Lakhs per month

**B. Perquisites**

- i. Housing - Rent free accommodation, subject to ceiling of ₹ 5 Lakhs per month
- ii. Chauffer Driven Car - Subject to Maximum of ₹ 30000 per month
- iii. Leave Travel concession - For Self and family as per company rules/policy
- iv. Medical reimbursement - Limited to one month salary per year
- v. Club Facility - Membership of maximum of 2 clubs
- vi. Entertainment Expenses - Actual
- vii. Provident Fund, Gratuity, Encashment of leave and other terminal benefits as per company policy and statutory requirements

**C. Other Perquisites**

Use of the company car, telephone, travelling expenses etc. for use under company's business

**D. Commission**

Commission of 0.50% of Net Profits of the company as computed under section 198, 309, 349 and 350 of the companies Act, 1956 or any other statutory modification or any orders of the Board if applicable.

**ITEM NO. 14**

Mr. J.K. Singh is appointed as whole time Director for a period of 5 years from 1.04.2012 on the following remuneration approved by the Remuneration Committee:

**A. Salary**

₹ 15 Lakhs Per month

**B. Perquisites**

a. Chauffer Driven Car - Subject to maximum limit of ₹ 30000 per month

**C. Other Perquisites**

Use of the company car, telephone, travelling expenses etc. for use for company business

**ITEM NO. 15**

Ms. Shipra Singh is appointed as General Manager - Procurement & Materials w.e.f. 1.04.2012 on the following remuneration approved by the Remuneration Committee:

**A. Salary**

₹ 5 Lakhs per month

**B. Perquisites**

- i. Housing - Rent free accommodation, subject to ceiling of ₹ 2 Lakhs per month
- ii. Chauffer Driven Car
- iii. Leave Travel concession - For Self and family as per company rules/policy
- iv. Medical reimbursement - Limited to one month salary per year
- v. Club Facility - Membership of maximum of 2 clubs
- vi. Entertainment Expenses - Actual
- vii. Provident Fund, Gratuity, Encashment of leave and other terminal benefits as per company policy and statutory requirements

**C. Other Perquisites**

Use of the company car, telephone, travelling expenses etc. for use under companies business Pursuant to the Section 314(1B) of the Companies Act, 1956, prior consent of the member by way of special resolution and also the approval of Central Government is required Hence the matter is placed before you for your approval by way of Special Resolution.

**ITEM NO. 16**

In terms of Article 139 of the Articles of Association of the Company and Clause (b) of Sub-section (4) of section 309 of the Companies Act, 1956). Board of Directors has approved the remuneration paid to other Directors not being whole time Director and Managing Director subject to an overall limit of 1% of net profits of the company and subject to a ceiling in each financial year over a period of five years including the financial year of the Company ending on 31<sup>st</sup> March, 2013.

**Company Secretary**

## CHAIRMAN'S STATEMENT

### Mesco Surges Ahead

I am happy to announce that your company, has delivered impressive performance for the third consecutive year. This performance is remarkable as it was achieved under stressful conditions in the market both domestically and globally. For our esteemed shareholders who have reposed faith in the company the time to reap rewards has come.

We have achieved record jump in sales by 44% and impressive 113% increase in PAT as we continue our focus on delivering value to our stakeholders.

Our Company has become an almost zero debt company, which is a rare phenomenon in this highly capital intensive industry. It is listed on Bhubaneswar Stock Exchange. I urge all the shareholders to convert their shares into Demat form.

### Financial Outcomes

Against the negative growth in Euro Zone and very little growth in America and steep fall in growth in India and world at large, we have been able to increase the sale to ₹ 5467.55 million and operating profit to ₹ 1430.34 million and PAT at ₹ 902.68 million.

Looking at the above scenario, which is drastically different from the global scenario, including that of India, I have recommended a maiden dividend of 5%, which would involve outgo of ₹ 80.12 million from reserves.

All our employees have contributed immensely in achieving this stellar performance through hard work and tenacity of purpose. On behalf of the board I thank our employees for their achievements.

### Operational Excellence

Both in mine operations at Roida, Barbil and plant operations at Jajpur, the singular focus on improving efficiencies is beginning to yield results, getting reflected in superior performance. Output from the Roida mine is being ramped up to 6.0 million tonnes per annum. This would require complete revamping of mine operations, as it is well near impossible to have 2000 trucks moving daily in and out from the mine. Hence a conveyor belt is being commissioned at the mine for evacuation of iron ore, this would free up space for movement in the mine area and further enhance the operational efficiency. Together with this commissioning of 1400 tpd crusher is also under implementation.

A dedicated railway siding with four lines inside the steel plant at Jajpur has been commissioned and it can carry 6.2 million tonnes of cargo at present and is being expanded to carry 9 million



tonnes of cargo. The Company has also invested into 2 rakes for haulage of the raw material into the plant. These two rakes having 128 BOXN wagons can carry approximately 8,000 tonnes of material. The efficiency gains in terms of saving time and cost would get reflected in the next year's balance sheet. One line of sinter plant has already been commissioned and is giving us the cost advantage in producing hot metal, while the second line is at a very advanced state of completion. The sinter plant of 2000 tonnes per day capacity will significantly reduce the operating costs as well as enhance efficiency of blast furnaces and productivity. Revamp of raw material handling yard and retrofitting of one blast furnace have also been taken up to maximize the operations at the steel plant. All these measures will boost the operational efficiencies.

### **Forward Integration**

Seizing the current opportunity, we are already on our way to upgrading our steel plant into a fully integrated steel plant of 1.2 MTPA capacity. With an investment of ₹ 10 billion, a steel melt shop with a rolling mill for rebar and wire rod is being commissioned. It would have all the supporting plants to make it a state-of-the art integrated steel plant. A high level team has successfully concluded its trip to China for finalizing technical and financial details for the first phase of the expansion of the steel plant. In the second phase, the total capacity of the steel plant will be raised to 3.5 million tonnes per annum.

Commissioning of a slag processing unit of 0.5 million tonnes capacity, has also been initiated at Jajpur steel plant. This would lead to significant increase in the profitability by utilizing the slag generated in the steel making, at the same times this would be an important environment friendly initiative at the plant.

### **Mineral Resources**

The Company has secured critical mineral resources- iron ore, coking coal, lime stone and dolomite, required for steel making, thereby preparing the way for sustainable growth for the years to come. The company has an underground coking coal block at Chhindwara in Madhya Pradesh having probable reserves of 30 million tonnes. The company also owns a limestone and dolomite mine in Katni (Madhya Pradesh). Opportunities for joint ventures in overseas countries are also being explored for adding to the reserves of mineral resources.

### **Market Scenario**

Government of India has raised the export duty on iron ore to 30% making exports no longer a viable proposition. Your company is in the process of debonding from a 100% EOU to DTA resulting in savings, thereby having positive impact on operating profit. Despite slow down in India's economy and general gloomy scenario in the developed countries specially the Eurozone, commodity prices in general have held up. Cost advantages and focus on efficiencies in your company have prepared it to cope with the cyclical downturn through which we are currently passing. Through your support, we have come out of a period of great stress and see the current downturn as an opportunity to build for the future.

**Mesco for People - Corporate Social Responsibility & Limiting Environmental Impact**

We have remained committed partners of the local community. The ambit of corporate social responsibility encompasses safety of operations, community development and minimizing impact on environment. Keeping our mine and plant operations completely safe and environment friendly has always been the key concern of the management. The green cover in the steel plant has earned it the distinction of being the greenest steel plant in the country. Neither liquid, solid nor gaseous waste is generated by the operations of the plant. Energy efficiency has gone up following commissioning of the sinter plant. We are endeavoring to adopt best practices on environmental and safety issues in the plant. Substantial money is being spent on a daily basis on activities relating to corporate social responsibility around the mine. The company has spent ₹ 22.18 lakh on education, ₹ 33.22 lakh on health and sanitation and ₹ 9.67 lakh on infrastructure during the year around the Steel Plant. These initiatives on corporate social responsibility have found resonance in the people and the media.

**Positive Outlook**

Despite the threat of global headwinds of downturn hitting every industry hard, your company is placed in an advantageous position to deliver excellent financial performance and build for the future growth. Prices for iron ore and pig iron will remain viable in the year ahead in the domestic market. On the strength of ongoing revamping of facilities at the steel plant, Mesco Steel will be able to reduce costs even further and enhance productivity thereby generating handsome margins. Both turn over and operating profit are expected to remain high in the coming year. This back to back exponential growth will create enhanced value for our shareholders both in the short and the long run.

For assuming different set of challenging responsibilities, I have decided to demit the office of the Chairman of your company. I wish to place on records my gratitude to all our shareholders for giving me the opportunity to serve the company as Chairman for two decades. It is very satisfying to leave the company in almost debt free condition and proposing the maiden dividend, having gone through very stressful situation in the past and turnaround in the very positive way. I wish all success to the Company and its shareholders in their ambitious growth plans.

New Delhi  
31.08.2012

J.K. Singh  
Chairman