



**MESCO STEEL**  
*Partnering Progress*

# **21<sup>ST</sup> ANNUAL REPORT 2013-2014**

**MIDEAST INTEGRATED STEELS LIMITED  
NEW DELHI**



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## VISION OF MIDEAST INTEGRATED STEELS LIMITED

“Mesco Group commits to the brick and mortar sectors of economy which promote nation building. Our core competence is therefore in steel, minerals, cement and low cost housing. In all these sectors we will strive to be the most efficient producer and be among the top five companies in the countries we operate in by creating value for the stakeholders. We will constantly strive to pursue opportunities in these sectors and promote establishment of cooperative enterprises for the development of society”

## **Chairperson cum Managing Director's Statement**

**Dear Shareholders,**

At the outset, I will like to congratulate everyone for yet another year of impressive performance. I take special pride this time as this year continued to be a period of slow growth. India's economic growth was again not able to meet the target and for the second consecutive year the growth rate was sub 5 percent. Against this backdrop of mounting pressure due to continued weakening of demand and prices, your Company's performance, therefore, stands remarkable. At this juncture, I reflect upon the adverse circumstances that your Company has faced in the past. We went through some very troubled times and I wonder if our present resilience and high strength of character is partly due to our perseverance and experience during those times. While we have been consistently delivering high performance and growth to our shareholders' value for the past 5 years now, I am sure that our stakeholders including all shareholders appreciate that we have worked very hard sometimes through extreme adversity to rise against the tide and against all odds.

### **Financial Outcomes**

As I have already said above, we continue to deliver high growth in performance. Profit before depreciation, Interest and tax increased by 28% from last year to be at Rs 2271.51 million. Profit before tax also went up by 18% at Rs.1849.92 million. This is a very strong performance in the backdrop that the last year was a difficult year for the iron ore mining and pig iron industry. I am, therefore, pleased to announce the dividend of 7.5% which is at the same level as last year.

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**

As I mentioned before, last year was a difficult year for the iron ore mining and pig iron industry. Iron ore prices on an average fell by 31% while pig iron prices fell by 6%. However, we were able to deliver high performance by all round effort in operations. Pig iron and iron ore production went up by 31% and 25% respectively while sales went up by 52% and 61% respectively. As a result, the revenues went up by 18% overall.

As part of our continuous efforts to improve efficiency, a number of steps were taken in the plant for energy conservation. The second sinter machine has been commissioned and put into operation from March 2014 and is continuously operating since then. We achieved 100% utilization of Solid Waste generated in the plant. In May we commissioned a 3rd boiler in the power plant and installed DCS system in the power plant to improve generation and efficiency. In 2013-14 we also commissioned the railway siding of 6mtpa material handling which we plan to expand it to 9 mtpa for which we have received the necessary permissions. In the Raw Material yard a truck tippler was also installed in the year.

## **Growth and Expansion**

I am pleased to announce that the Company (MISL), has embarked on a focused strategic path for growth and expansion. In this financial year we launched the vision of the Company. This was co-created by circulating a draft to all employees. The vision will form the basis of all our strategic pursuits which we will keep you informed from time to time.

Especially relevant to MISL is the fact that we want to consolidate our presence in India and be seen as a major integrated steel player of at least 4.5 million tonnes per annum capacity by 2020. As I have informed you before, we are exploring both organic and inorganic options for growth. Our plans for brownfield expansion at our Jajpur unit to take the finished steel capacity to 3.5 million tonnes in 2 phases, are at an advanced stage. MISL is also studying some investment proposals for inorganic growth through M&A in companies which provide a strategic fit. We are in discussions with the financiers and promoters of such assets to which we can add significant value on account of our experience and operational synergies.

To derive synergies and increase competitiveness, we plan to commence operation of a 0.5 mtpa cement plant using BF slag at our Jajpur unit in the next 2 years. We are completely refurbishing one of our blast furnaces. We have also received permissions to increase the capacity of our railway siding to 9 mtpa from 6 mtpa. We will install a wagon tippler in our raw material handling yard.

Also critical in our vision for the next 5 years is the ownership of strategic raw materials. As you know a coking coal block is allotted to us in Madhya Pradesh and we are currently pursuing the process of acquiring environment and forest clearances. We are actively looking for an acquisition of a coking coal mine in Australia and our strategy team has made significant progress in identifying a few potential targets of premium coking coal.

## **Outlook for the Next Year**

I am confident that the global economy is on its way to recovery. All round economic data suggests that green shoots of recovery are visible in the global economy. Aided by this global recovery, Indian economy is poised to grow much faster in 2015 with the prospect of a stable government at the centre. Development, reforms and infrastructure are perceived to be ready to take the centre stage. This augurs well for steel and minerals industry. We believe that the demand has bottomed out we should see a steady revival of demand for steel and steel making raw materials. Therefore, the next year will be very positive for the Company. I draw a lot of comfort from what we have achieved under tough circumstances which makes me feel very positive about what we can achieve when the tide turns favorably.

The Company is on course to start its second revamped blast furnace along with the second line of sinter plant. This would significantly boost the hot metal and pig iron production for the year. Gains from private siding in the steel plant would also get captured in the overall performance.

The Company is hopeful that the regulatory issues related to mining leases in Odisha will be resolved this year and there shall be no hold-up in production at the mines for the large part of the year. If that happens, we hope to break previous records of production both at the plant and the mine.

Our process for acquiring mining lease for dolomite and limestone mine at Katni is underway and we hope to get start production as early as possible.

Indian Rupee appears to have stabilized now after an almost free fall last year. The price of imported coking coal and met coke has fallen since last year. This helps us significantly to reduce our overall cost of buying met coke which will have a positive impact on our performance in FY 14-15. We will continue our focus on productivity enhancement and controlling costs all round. Our efforts at bringing down the coke rate has begun to show results. Operationalization of sintering units, railways siding in the plant and revamp of the second blast furnace and power plant will combine together in improving efficiencies.

### **Corporate Social Responsibility.**

The Company has always been at the forefront in benefiting the local communities in and around its areas of operations. We have earned the trust of local community over the years through community service in the areas of healthcare, education and infrastructural development. Social upliftment of the tribal and economically backward is at the core of our business philosophy.

Your Company contributes to the community in the areas of healthcare, education and infrastructural development. We provide vital medical care equipments. Health camps are organised in villages for providing basic medical care and also create awareness about hygiene and methods for prevention of diseases. We are engaged in providing tube wells, construction of concrete roads, construction of boundary wall for the school and providing water supply to the nearby villages. We also provide qualified teachers to the schools in the community and regularly sponsor students for higher education.

During the year, your Company has spent about ₹ 13.39 million on benefiting the communities through various programs.

Finally, I will like to once again congratulate everyone for giving us another year of high performance and another reason to feel proud of ourselves. Let's grow bigger and let's grow together.

New Delhi

11.08.2014

Rita Singh

Chairperson cum Managing Director

## NOTICE

(Note: The business of this Meeting may be transacted through electronic voting system)

Notice is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held on Saturday, the 20th day of September, 2014 at 10:30 a.m. at Auditorium I, Siri fort Cultural Complex, August Kranti Marg, New Delhi -110049 to transact the following businesses:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014 and Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend on Equity Shares for the Financial Year ended 31st March, 2014.
3. To appoint a Director in place of Mr. Purna Chandra Sahu (DIN- 01262687) who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Natasha Sinha (DIN- 00812380) who retires by rotation and being eligible offers herself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to Section 139 of the Companies Act, 2013 (the Act) and other applicable provisions, if any, of the Act and the Rules made there under (including any statutory modifications or re-enactment thereof for the time being in force), M/s Tadarwal & Tadarwal, Chartered Accountants and Sangram Paul & Co., Chartered Accountants, (the retiring auditors), be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this meeting till the conclusion of the 24th Annual General Meeting of the Company, subject to ratification by the shareholders at every Annual General Meeting on a remuneration as may be decided by the Board of Directors.”

### SPECIAL BUSINESS

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

**“RESOLVED** that pursuant to the provisions of Section 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under, including any statutory modification(s) or re-enactment thereof for the time being in force, Mr. Priyabrata Patnaik (DIN 01709955) who was appointed as an Additional Director of the Company by a resolution of the Board of Directors to hold office as such from 01.02.2014, under Section 260 and other applicable provisions, if any, of the Companies Act, 1956 corresponding to Section 161 of the Companies Act, 2013 and Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”



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

**“RESOLVED** that pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under, including any statutory modification(s) or re-enactment thereof for the time being in force, read with Schedule V of the Companies Act, 2013 and subject to the approval of the Central Government, if required, and such other approvals and sanctions as may be necessary, the approval of the Shareholders be and is hereby accorded for the appointment and to the remuneration of Mr. Priyabrata Patnaik (DIN 01709955) as Whole Time Director of the Company for a period of three years effective from 1st February 2014, liable to retire by rotation, on the following terms and conditions :

Pay : ₹ 7, 50,000 p.m. (₹ seven lacs fifty thousand per month)

Other Perquisites: Free use of Company Car with Fuel.

**RESOLVED FURTHER THAT** the above remuneration shall be minimum remuneration payable to Mr. Priyabrata Patnaik in the event of absence or inadequacy of profits during any financial year.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts and deeds as may be necessary, expedient or desirable, in order to give effect to this resolution or otherwise as considered by the Board to be in the best interest of the Company.”

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

**“RESOLVED** that Mr. Hanumantha Rao Ravipati (DIN 00044028), Director of the Company, who was holding Office or Place of Profit as per Section 314 of the Companies Act, 1956, ceased to hold such position, and in accordance with the provisions of Sections 196 and 197 read with Schedule V and all other applicable provisions of the Companies Act, 2013 (the Act) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any Statutory modifications(s) or re-enactment thereof for the time being in force), approval of the shareholders be and is hereby accorded to appoint him as a Whole Time Director of the Company liable to retire by rotation w.e.f. 1st July 2014 at a Remuneration of ₹ 100,000 p.m. (Rupees One Lac per month) for the remaining tenure of his appointment i.e. up to 31st March 2018.

**RESOLVED FURTHER THAT** the above remuneration shall be minimum remuneration payable to Mr. Hanumantha Rao Ravipati in the event of absence or inadequacy of profits during the financial year.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts and deeds as may be necessary, expedient or desirable, in order to give effect to this resolution or otherwise as considered by the Board to be in the best interest of the Company.”

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

“**RESOLVED** that pursuant to provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 (the Act) and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr. Nandanadan Mishra (DIN-00031342), an Independent Director of the Company, who was appointed as a Director liable to retire by rotation in respect of whom the Company has received a notice from a member under Section 160 of the Act, proposing his Candidature for the office of Independent Director be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years from the date of the 21st Annual General Meeting for a term upto conclusion of 26th Annual General Meeting of the Company in the Calendar year 2019.”
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED** that pursuant to provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 (the Act) and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr. Debi Prasad Bagchi (DIN-00061648), an Independent Director of the Company, who was appointed as a Director liable to retire by rotation in respect of whom the Company has received a notice from a member under Section 160 of the Act, proposing his Candidature for the office of Independent Director be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years from the date of the 21st Annual General Meeting for a term upto conclusion of 26th Annual General Meeting of the Company in the Calendar year 2019.”
11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED** that pursuant to provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 (the Act) and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr. Madhukar (DIN-00558818), an Independent Director of the Company, who was appointed as a Director liable to retire by rotation in respect of whom the Company has received a notice from a member under Section 160 of the Act, proposing his Candidature for the office of Independent Director be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years from the date of the 21st Annual General Meeting for a term upto conclusion of 26th Annual General Meeting of the Company in the Calendar year 2019.”
12. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**: