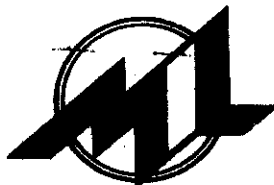


9th Annual Report

1998-99

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MONNET ISPAT LIMITED

MONNET ISPAT LIMITED**BOARD OF DIRECTORS**

Shri Sandeep Jajodia **Managing Director**

Shri O.P. Vaish

Shri H.C. Bhasin

Shri M.S. Gujral

Shri G.C. Mrig

Shri M.L. Lath

SHARES LISTED WITH EXCHANGES

Madhya Pradesh Stock Exchange

The Stock Exchange Mumbai

The Calcutta Stock Exchange Association Ltd.

The Delhi Stock Exchange Association Ltd.

The Jaipur Stock Exchange Ltd.

BANKERS

Punjab National Bank

State Bank of India

State Bank of Bikaner & Jaipur

State Bank of Patiala

AUDITORS

M/s. O. P. Bagla & Co.

New Delhi

REGISTERED OFFICE & WORKS

Chand Khuri Marg,

Mandir Hasaud,

Raipur - 492 101 (M.P.)

CORPORATE OFFICE

Mohta Building, 3rd Floor,

4, Bhikaji Cama Place,

New Delhi - 110 066

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MONNET ISPAT LIMITED**NOTICE**

NOTICE is hereby given that the Ninth Annual General Meeting of the members of Monnet Ispat Limited will be held on Thursday, the 30th September, 1999 at 2.30 P.M. at its Registered Office & Works, Chand Khuri Marg, Mandir Hasaud, Raipur - 492 101 (M.P.) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit & Loss Account for the period ended 31st March, 1999 & the Balance Sheet as on that date and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri G. C. Mrig who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri M. L. Lath who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being), to mortgage and/or charge the immoveable and moveable properties of the Company both present and future, and the whole of the undertaking of the Company, save and except book debts and subject to the charges created/to be created in favour of the Company's bankers on current assets for securing borrowings for Working Capital requirements in such form and manner and with such ranking and on such terms as the Board of Directors may determine and as required by the Financial Institutions/Banks together with power to take over the management of the business and concern of the Company in certain events to or in favour of the following :

The ICICI Limited (ICICI)

to secure :

Rupee Term Loan not exceeding Rs. 550 lacs (Rupees Five Hundred Fifty Lacs only) lent and advanced by the ICICI.

to the Company together with the interest at the respective agreed rates, compound/additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to ICICI in respect of their Loan Agreement and terms and conditions, entered into/to be entered into by the Company, in respect of the said loans for the purpose of meeting Long Term Working Capital requirement of the Company.

FURTHER RESOLVED THAT the mortgage/charge created/to be created and/or all agreements/documents executed or to be executed and all acts done by and with the authority of the Board of Directors are hereby confirmed and ratified.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to finalise with aforesaid Lending Institution the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to above resolution."

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being), to mortgage and/or charge the immoveable and moveable properties of the Company both present and future, and the whole of the undertaking of the Company, save and except book debts and subject to the charges created/to be created in favour of the Company's bankers on current assets for securing borrowings for Working Capital requirements in such form and manner and with such ranking and on such terms as the Board of Directors may determine and as required by the Financial Institutions/Banks together with power to take over the management of the business and concern of the Company in certain events to or in favour of the following :

The Industrial Investment Bank of India Ltd. (IIBI)

to secure :

MONNET ISPAT LIMITED

Medium Term Working Capital Loan not exceeding Rs.150 lacs (Rupees One Hundred Fifty Lacs Only) lent and advanced by the IIBI.

to the Company together with the interest at the respective agreed rates, compound/additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to IIBI in respect of their Loan Agreement and terms and conditions, entered into/to be entered into by the Company, in respect of the said loans for the purpose of meeting Medium Term Working Capital requirement of the Company.

FURTHER RESOLVED THAT the mortgage/charge created/to be created and/or all agreements/documents executed or to be executed and all acts done by and with the authority of the Board of Directors are hereby confirmed and ratified.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to finalise with aforesaid Lending Institution the documents for creating the aforesaid mortgage and/or charges and to do all such acts and things as may be necessary for giving effect to above resolution."

7. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :
"RESOLVED THAT the consent of the shareholders of the Company be and are hereby accorded in terms of the Section 372 A of the Companies Act, 1956 and other applicable provisions, if any, to execute Corporate Guarantee in favour of the followings :-

Name of Institution	Amount of Guarantee
(a) Industrial Finance Corporation of India Limited (IFCI)	Rs. 80.00 Crores
(b) Indian Renewable Energy Development Agency Limited (IREDA)	Rs. 25.00 Crores

for securing the above said term loans sanctioned/to be sanctioned to Monnet Power Limited.

RESOLVED FURTHER THAT the Corporate Guarantee executed in favour of IFCI by the Company for securing the Term Loan of Rs.29.26 Crores bifurcated out of the total Term Loan of Rs.80.00 Crores sanctioned to Monnet Power Limited and all acts done by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all act and deeds for executing the Corporate Guarantee in favour of IFCI and IREDA."

By Order of the Board

[A. B. CHUGH]

Sr. Vice President-Finance
& Company Secretary

Place : New Delhi
Date : 31st July, 1999

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.
2. The proxy form duly completed in all respects should reach at the Registered office of the Company not later than 48 hours before the time of the meeting.
3. The Register of Members and the Register of Share Transfers of the Company will remain closed from 23rd September, 1999 to 30th September, 1999 both days inclusive.
4. Members are requested to inform changes, if any, in their Registered Address alongwith Pin Code Number to the Company at the Registered office of the Company.
5. Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting Hall. Attendance at the Annual General Meeting will not be allowed without production of attendance slip duly signed.
6. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report to the meeting.
7. Members desiring any information on the Accounts are requested to write to the company atleast one week before the date of the meeting so as to enable the Management to keep the information ready.

MONNET ISPAT LIMITED**EXPLANATORY STATEMENT (Pursuant to Section 173(2) of the Companies Act, 1956)****Item No. 5 and 6**

The term loan lending institutions ICICI Ltd. (ICICI) and Industrial Investment Bank of India Ltd. (IIBI) has extended the loan of Rs. 550.00 lacs and Rs. 150.00 lacs respectively to the Company for meeting the Long/Medium Term Working Capital requirement of the Company. The said facility is to be secured by a Mortgage/Charge on all or any of the immoveable properties both present and future save and except book debts, subject to the charges created/to be created in favour of the Company's bankers on current assets for securing borrowings for the Working Capital Requirements, in such manner and with such ranking as agreed among the Company, ICICI and IIBI and other existing Term Lending Commercial Banks and Financial Institution.

The mortgage and/or charge by the Company on its immoveable and moveable properties in favour of the Lending Institutions requires specific approval of the shareholders to the Board of Directors in terms of Section 293(1)(a) of the Companies Act, 1956.

The Directors recommend the resolution for shareholders approval.

None of the Directors is in any way concerned or interested in the resolution. A copy of the ICICI and IIBI sanction letters are available for inspection at the Registered Office of the Company.

Item No. 7

Monnet Power Limited (hereinafter referred to as 'MPL') an associate Company is proposing to implement 32.5 MW power project at Raipur in the State of Madhya Pradesh in the vicinity of the existing factory site of Monnet Ispat Ltd. The power project of MPL entails a total capital outlay of Rs. 153.00 Crores and is proposed to be part funded by way of term loan to the extent of Rs. 105.00 Crores. The said power project will be using the Waste Heat Gases, Char and Coal Fines presently being generated during the process of manufacture of Sponge Iron by Monnet Ispat Limited. Further, MPL will supply power for the captive use by Monnet Ispat Ltd. so as to meet its entire present and future requirements. Therefore, with the implementation of power project by MPL, the operational viability of Monnet Ispat Ltd. will strengthen with the availability of cheap, reliable and uninterrupted power supply and the revenues will further increase with the assured sale of Char, Coal Fines, Flue Gases to MPL.

The Industrial Finance Corporation of India Ltd. (IFCI) has sanctioned Rupee Term Loan of Rs. 80.00 Crores (Rupees Eighty Crores) and MPL has approached IREDA for sanction of balance Term Loan requirement of Rs. 25.00 Crores to part finance the cost of project of the MPL. IFCI while sanctioning the term loans have stipulated a condition, which as per the established practise will be followed by IREDA as well, that the loan will be secured, inter-alia, by the Corporate Guarantee of Monnet Ispat Ltd. Hence, MPL has approached Monnet Ispat Limited for providing Corporate Guarantee for the total loan of Rs. 105.00 lacs.

Section 372 A of the Companies Act, 1956 provides that no Company shall give any guarantee, make loan or acquire any security exceeding 60% of its paid-up share capital and free reserve or 100% of its free reserves whichever is more unless previously authorised by a Special Resolution passed in a General Meeting.

The Section further provides that the Board may give Corporate Guarantee, without being previously authorised by a Special Resolution, if a resolution is passed in the meeting of the Board authorising to give Corporate Guarantee and this is confirmed within 12 months in a General Meeting of the Company or the Annual General Meeting held immediately after passing of the Board Resolution, whichever is earlier. By virtue of these provisions, the Board of Directors of Monnet Ispat Limited in their meeting held on 29th April, 1999 have approved for providing of Corporate Guarantee in favour of IFCI for Rupee Term Loan of Rs. 29.26 Crores, bifurcated out of the total term loan of Rs. 80.00 Crores sanctioned by IFCI.

The Directors recommend the adoption of the resolution by the Members.

None of the Directors other than Sh. Sandeep Jajodia, Managing Director and Sh. M.L. Lath, Director who are also the Directors in Monnet Power Limited as well, may be deemed to be interested in the resolution.

By Order of the Board

[A. B. CHUGH]
Sr. Vice President-Finance
& Company Secretary

Place : New Delhi
Date : 31st July, 1999

MONNET ISPAT LIMITED**DIRECTORS' REPORT****To the Members**

Your Directors have pleasure in presenting the 9th Annual Report together with Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99	[Rs. in Lacs] 1997-98
Gross Profit before		
Interest and depreciation	1282.62	1469.48
Less : Interest	650.93	664.19
Depreciation	325.99	1017.87
Profit before tax	305.70	451.61
Less : Provision for tax	32.50	48.00
Profit after tax	273.20	403.61
Less : Income tax adjustment relating to earlier years	(15.42)	0.20
Add : Balance of Profit brought forward from previous year	642.29	867.81
Less : Transfer to General Reserve	-	(500.00)
	900.07	771.62
Less : Appropriations		
Transfer to Debenture Redemption Reserve	129.33	129.33
Balance carried to Balance Sheet	770.74	642.29

DIVIDEND

Your Directors have decided to conserve the resources for the operations of the Company. As such, the Board has not recommended any dividend for declaration.

OPERATIONS

During the year under review your Company produced 94502 MT of Sponge Iron & 37070 MT of M.S. Product as against production of 85286 MT of Sponge Iron & 15812 MT of M.S. Product in the immediately preceding year. The production of Sponge Iron and M.S. Product have been improved in the year under review by better utilization of resources.

OUTLOOK FOR 1999-2000

The overall recession in the industry in general and steel sector in particular experienced in most of the period in 1998-99, appears to have been arrested and the economy has started showing signs of revival. With the continuing thrust on infrastructure sector by the Government including the fiscal incentives introduced in the Finance Budget for the year 1999-2000 for infrastructure and housing sector, the demand for steel products has started increasing and is further expected to increase manifold. With this the price realisation for Sponge Iron has improved and the products rates has increased by about 10-15% in last 6 months.

In view of the above developments, your Company plans to implement the following plants at the land adjacent to the existing plant of the Company at Chand Khuri Marg, Mandir Hasaud, Reipur (M.P.):

1. Sponge Iron 1,00,000 TPA
2. M. S. Steel 1,00,000 TPA
3. Ferro Alloys 50,000 TPA

The cost of the above scheme will be financed partly by way of new term loan from Banks/Financial Institutions and partly out of internal accruals.

With the promising market scenario and the overall improvement in the Economy, your Directors expect that the Company will continue to perform better with the inherent advantage of low capital cost, low impact of interest and depreciation.

DIRECTORS

During the year under review Shri O.P. Jindal, Director resigned from the Directorship of the Company. The Board of Directors places on record the valuable contribution made by Shri O.P. Jindal during his tenure as Director of the Company.

Pursuant to Section 255 of the Companies Act, 1956, Shri G.C. Mrig and Shri M.L. Lath, Directors retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for reappointment.