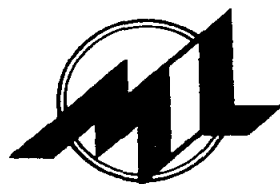


12th Annual Report

2001-2002



MONNET ISPAT LIMITED

MONNET ISPAT LIMITED**BOARD OF DIRECTORS**

Shri M.S. Gujral	Chairman
Shri H.C. Bhasin	
Shri G.C. Mrig	
Shri H. Pandey	
Shri S. K. Das	Nominee - UTI
Shri Sandeep Jajodia	Managing Director

TWELFTH ANNUAL GENERAL MEETING

Date	: 28th September, 2002
Day	: Saturday
Time	: 12.30 P.M.
Place	: Chand Khuri Marg, Mandir Hasaud, Raipur - 492 101 (Chhattisgarh)

REGISTERED OFFICE & WORKS

Chand Khuri Marg,
Mandir Hasaud,
Raipur - 492 101 (Chhattisgarh)

CORPORATE OFFICE

Mohta Building, 3rd Floor,
4, Bhikaji Cama Place,
New Delhi - 110 066

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

SHARES LISTED WITH EXCHANGES

Madhya Pradesh Stock Exchange
The Stock Exchange Mumbai
The Calcutta Stock Exchange Association Ltd.
The Delhi Stock Exchange Association Ltd.
Jaipur Stock Exchange Ltd.

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MONNET ISPAT LIMITED**NOTICE**

NOTICE is hereby given that the 12th Annual General Meeting of MONNET ISPAT LIMITED will be held at the Registered Office of the Company at Chand Khuri Marg, Mandir Hasaud, Raipur in the State of Chhattisgarh on Saturday, the 28th day of September, 2002 at 12.30 p.m. to transact the following business :-

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March 2002, Profit & Loss Account for the year ended on that date along with Reports of 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 auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED that pursuant to Section 260 of the Companies Act, 1956, Shri Hari Pandey be and is hereby appointed as Director of the Company, who shall be liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED that pursuant to Section 269, 311 and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the provisions of Articles of Association of the Company, the consent of the Company be and is hereby accorded for the re-appointment of Shri Sandeep Jajodia as Managing Director of the Company for a period of 5 years commencing from 16th June, 2002. The terms and conditions of re-appointment and remuneration etc. are as follows :-

Remuneration

Salary : Rs. 1,20,000 per month subject to reconsideration next year.

Perquisites

1. Medical Reimbursement : Expenses incurred for self, wife and children subject to a ceiling of one month salary in a year.
2. Leave Travel Concession : For self, wife and children once in a year incurred in accordance with the rules specified by the Company.
3. Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
4. Mediclaim : For self, wife and children. Premium not to exceed Rs. 25,000/- per annum.
5. Club Fee : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
6. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
7. Gratuity payable shall not exceed half month's salary for each completed year of service.
8. Encashment of Leave as per the Company rules.
9. Provision of car with driver including all the repair and maintenance expenses to be borne by the Company.
10. Provision of Telephone at residence - all expenses to be borne by the Company.

In the absence or inadequacy of profits, the remuneration as aforesaid shall be restricted as per the provisions of Schedule XIII of the Companies Act, 1956.

By order of the Board of Directors
MONNET ISPAT LIMITED

(M.P. KHARBANDA)
Company Secretary

Date : 29th July, 2002
Place : New Delhi

Registered Office :
Chand Khuri Marg,
Mandir Hasaud,
Raipur-492101

MONNET ISPAT LIMITED**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxy in order to be valid must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
2. The register of Members and Share Transfer Books of the Company will remain closed from Saturday, 21st September, 2002 to Saturday, 28th September, 2002 (both days inclusive).
3. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business set out above is annexed thereto.

EXPLANATORY STATEMENT UNDER SEC. 173 (2) OF THE COMPANIES ACT, 1956.**Item No. 4**

Shri Hari Pandey was co-opted as an additional Director on the Board of the Company w.e.f. 31st January, 2002. As such he holds the office only upto the date of ensuing Annual General Meeting. Your Company has received a notice in writing from a member of the Company signifying his intention to propose the name of Shri Hari Pandey for the office of Director.

None of the Directors except Shri Hari Pandey is interested or concerned in the proposed resolution. The Board commends the resolution as an ordinary resolution.

Item No. 5

Shri Sandeep Jajodia was appointed as Managing Director for a term of five years w.e.f. 16th June, 1997. The existing term of appointment of Shri Sandeep Jajodia as Managing Director expired on 15th June, 2002. Your Directors in their meeting held on 29th July, 2002 have reappointed Shri Sandeep Jajodia as Managing Director for a further period of 5 years on modified terms and conditions as detailed in the item No. 5 of Notice notwithstanding that he is also Managing Director of Monnet Industries Limited. This may be treated as Notice to members pursuant to Section 302 of the Companies Act, 1956.

None of the Directors, except Shri Sandeep Jajodia is interested or concerned in the proposed resolution. The Board commends the resolution as an ordinary resolution.

By order of the Board of Directors
MONNET ISPAT LIMITED

(M.P. KHARBANDA)
Company Secretary

Date : 29th July, 2002
Place : New Delhi

Registered Office :
Chand Khuri Marg,
Mandir Hasaud,
Raipur-492101



MONNET ISPAT LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

		2001-2002	[Rs. in Lacs] 2000-2001	
Gross Profit before Interest and Depreciation		1987.04		1601.98
Less : Interest	741.95		504.07	
Depreciation	359.42	1101.37	314.86	818.93
Profit before tax		885.67		783.05
Less : Provision for tax		68.00		66.00
Profit after tax		817.67		717.05
Less : Provision for deferred taxation		243.30		-
		574.37		717.05
Less : Income tax adjustment relating to earlier years		4.83		13.27
Add : Balance of Profit brought forward from previous year		1739.03		1164.58
Less : Appropriations		2308.57		1868.36
Transfer to Debenture Redemption Reserve		129.33		129.33
Balance carried to Balance Sheet		2179.24		1739.03

OPERATIONS

During the year under review, your Company produced 132385 MT of Sponge Iron and 54822 MT of M.S. Products as against production of 82001 MT of Sponge Iron and 39015 MT of M.S. Products in the immediately preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

Sponge Iron has become popular substitute for steel making among the Secondary Steel Producers. The availability of the steel melting scrap is going down world over due to technological and process improvement as a result of which the scrap has become dearer and scarce material. Besides the impurities found in melting scrap, makes sponge iron a preferred feed stock for steel making. Therefore, the demand of Sponge Iron is likely to further firm up in future.

The Government initiative and thrust on infrastructure development is giving great impetus to the steel industry and the demand of the steel products is likely to improve in the current and the following year substantially. Further, the coal based Sponge Iron Units have a long term sustainability and viability compared to gas based units, as the country is rich in coal resources. The availability of gas is going down and the costs are expected to go higher which might make Gas Based Sponge Iron Units unviable in future. Therefore, the Sponge Iron Units based on the coal are poised to dominate the source of steel making in future.

Apart from above, the Company is consistently making efforts in sustaining and enhancing the measures to stay competitive. The cost advantages of the Company make it a competitive player in the industry.

Opportunities and Threats

The Company's cost competitiveness is backed by its coal mine and captive power which will provide a rare opportunity to the Company in the market segment. The slow down of the economy or a drop in the demand of steel products may effect the fortunes of the company. However, the company is well guarded against any such slide due to its cost competitiveness. Therefore, the slow down in the economy and any fall in the prices is unlikely to significantly hit the company.

Segment-wise or product-wise performance

As reported in our last report, during the year, the Company has implemented expansion project (Unit-II) by adding one more sponge iron kiln of 1,30,000 TPA capacity. Commercial operations at Unit-II commenced on 26th December 2001 and the same has been running successfully at an optimum capacity.

For the period upto 31st March, 2002, the Company produced 132385 MT of sponge iron at a capacity utilisation of 99% (previous year 82%). Similarly, capacity utilisation of Steel Division was 110% during the year as against 78% in the previous year.

During the year under report, the Sponge Iron Division achieved a sales turnover Rs. 73.22 crores including inter division sale of Rs. 22.09 crores. The sales turnover of Steel Division was at Rs. 60.09 crores.

Outlook

With the expansion in capacity, overheads of the Company have relatively gone down, so has the product cost. Prices of Sponge Iron and MS Ingots have appreciated during the year 2001-02 following overall increase in demand in global and domestic steel industry. Since appreciation in the prices of steel at international level have so far not been fully reflected in domestic realisations, prices in domestic market are expected to improve further. However, the performance of the Company even at current prices is satisfactory and in line with estimates for the current year. Further, the

MONNET ISPAT LIMITED

Company has signed the mining lease agreement with the State Government of Chhattisgarh. The implementation of mining project has already commenced. With the availability of own coal, the per ton cost of sponge Iron will go down substantially. As such, the profits of the Company will improve significantly in future. The Company is also planning to expand the capacity of sponge iron at Raigarh in Chhattisgarh close to the coal mines. The production cost of Sponge Iron at Raigarh will be much lower due to close proximity to the raw material sources on account of freight advantage.

Risks and Concerns

Steel industry is susceptible to the performance of the overall economy of the country. If the projected growth in the GDP is not achieved it will hit the core sector including steel. Therefore, only those companies, which have competitive position in the market, will sustain any fall in the prices of steel.

Your Company's product cost per metric ton is amongst the best in the industry. This competitiveness will further enhance after availability of coal from Company's captive coal mines. Therefore, the Company is in a stronger position to face adverse market conditions.

Internal Control Systems and their Adequacy

Your Company has adequate internal control systems commensurate with the size and nature of the business and are supplemented by an extensive programme of internal audits, reviews by management and documented policies, guidelines, and procedures. Your Company has an independent MIS and Audit Department to oversee the day to day functioning of the Company. The Company has proper budgeting system and the actual performance is continuously evaluated and the corrective measures are taken from time to time.

Discussion on Financial Performance with respect to Operational Performance

Your Company has cost advantage with respect to its peers in the industry. The average sales realisations have substantially increased as compared to previous year. The excellent track record has improved the position of the Company with institutions/Bankers.

Material Developments in Human Resources/Industrial Relations front including number of people employed

Industrial relations in the Company are satisfactory. The relations with the labour are cordial and friendly.

The operations of the plant are under the charge of an independent Chief Executive Officer, who has rich experience and qualifications in the field.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may effect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

Additional Disclosure

In line with the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Related Party Transactions and Segmental Reporting.

DIVIDEND

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

DEPOSITORY SYSTEM

During the year, about 31.77% of the shares of your Company were dematerialized. Since the Securities and Exchange Board of India (SEBI) has made trading in the Company's shares in dematerialized form mandatory, members are kindly requested to dematerialize their shares.

DIRECTORS

Pursuant to Section 255 of the Companies Act, 1956, Shri G.C. Mrig, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

The Board deeply condoles the untimely demise of Shri M.L. Lath, Director. The Board places on record its appreciation of the valuable advice and guidance received from Shri M.L. Lath during his tenure as Director on the Board of your Company.

Shri Hari Pandey joined as additional director on the Company's Board w.e.f. 31st January, 2002 and holds office until the ensuing Annual General Meeting. A Notice has been received from a member proposing his appointment as Director. Unit Trust of India has nominated Shri S.K. Das on the Board of the Company. He was inducted as Director w.e.f. 27th October, 2001.

RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA), your directors confirm:-

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

MONNET ISPAT LIMITED

- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

CORPORATE GOVERNANCE

Though Corporate Governance compliance was not mandatory for the Company till March 31, 2002, pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, necessary measures are taken to comply with the Listing Agreement. A report on Corporate Governance along with a certificate of compliance from the Auditors, forms a part of this report.

AUDITORS

The Auditors' Report and Notes to the Accounts as referred in the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanation.

M/s. O.P. Bagla & Co., Chartered Accountants, New Delhi, Auditors of the Company, hold the office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. A Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

PUBLIC DEPOSITS

The Company has not invited or accepted any deposits during the year from the Public under Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

As required under the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 the relevant data is enclosed as Annexure forming part of this report.

PERSONNEL

Since none of the employee is drawing salary in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended up-to-date, the same are not applicable.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to offer their sincere thanks to the various Departments of the Central and State Government, Financial Institutions, Bankers to the Company, all Customers, Suppliers and contractors for their continued valued assistance and support. Your Directors also wish to place on record their appreciation for dedicated services rendered by all officers, staff and workers of the Company at all levels.

For and on behalf of Board of Directors

Place : New Delhi

Date : 29th July, 2002

(M. S. Gujral)

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Director's Report for the period ended 31st March, 2002.

A. CONSERVATION OF ENERGY :

- | | |
|--|---|
| a) Energy conservation measures taken : | – Utilisation of all size fractions of coal |
| | – Minimisation of handling losses |
| b) Additional Investments and proposal, if any, being implemented for reduction of consumption of energy : | – NIL |
| c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | – The per ton power consumption has been under control. |
| d) Total energy consumption and energy consumption per unit of production is as per Form A annexed. | |

B. TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption is as per Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|--|-----------------|
| f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans. | NIL |
| g) Total Foreign Exchange used and earned | |
| – Used | Rs. 14,89,039/- |
| – Earned | NIL |

MONNET ISPAT LIMITED
**ANNEXURE
FORM – A**
Disclosure of Particulars with respect to Conservation of Energy

	Current Year (2001-2002)	Previous Year (2000-2001)
A. POWER AND FUEL CONSUMPTION :		
1. Electricity		
a] Purchased		
- Units	4,91,14,953	3,41,71,064
- Total Amount (Rs. in lacs)	1465.43	977.85
- Rate/Unit (Rs.)	2.98	2.86
b] Own Generation		
[i] Through Diesel Generator		
- Units (in KWH)	44,500	2,44,920
- Units per Ltr. of Diesel Oil	7.99	2.88
- Cost/Unit (Rs.)	2.01	5.39
[ii] Through Steam Turbine		
- Units (in KWH)	NIL	NIL
- Unit per Ltr. of Fuel Oil/Gas	NIL	NIL
- Cost/Unit	NIL	NIL
2. Coal (Specify quality and where used)		
Quantity (tonnes)	1,54,578	96,379
Total Cost (Rs. in lacs)	2439.53	1364.58
Average rate (Rs. per ton)	1578.18	1415.84
3. Furnace Oil/LDO		
Quantity (K. Ltrs)	25.35	48.36
Total Cost (Rs. in lacs)	3.79	5.31
Average rate (Rs.)	14.95	10.98
4. Others/Internal Generation	NIL	NIL
B. CONSUMPTION PER MT OF SPONGE IRON		
Electricity (in KWH)	60	61
Furnace Oil (Litres)	NIL	NIL
Steem Coal (Tonnes)	1.16	1.13
Others	NIL	NIL
C. CONSUMPTION PER MT OF MILD STEEL INGOTS		
1. Electricity (KWH)	750	753
D. CONSUMPTION PER MT OF S. S. INGOTS		
1. Electricity (KWH)	NIL	NIL

**ANNEXURE
FORM – B**
Disclosure of particulars with respect to Technology Absorption

A. RESEARCH AND DEVELOPMENTS :	NIL	NIL
B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :		
1. Efforts, in brief, made towards technology absorption adaptation and innovation	NIL	NIL
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.	Not applicable in view of reply B[1] above.	
3. Information relating to imported technology	N.A.	N.A.