

Our real strength lies
in our values & **vision**



MONNET ISPAT LIMITED



D

ear Monnet family member

The year gone by has seen achieving further milestones in pursuit of our objectives. We have given shape to our long-term holistic raw materials to finished product' strategy in order to further weed out external margins. This operational model encompassing the entire product value-chain for Sponge Iron and Steel is in tune with your Company's efforts to emerge as a totally integrated steel producer. This, coupled with our clear vision to forge lasting relationship with customers has propelled us to constantly exceed their quality expectations, at competitive pricing.

Pursuing the long-term plan of emerging as a 'total steel' Company, we have covered much ground, in our backward and forward integration initiatives. New value added products have been added to our product range. Work has already commenced on the coal mining project with plans to make captive coal available before the end of the current fiscal. Captive power generation capacity has been raised, so have the capacities of Sponge Iron and Steel. The results of these initiatives will reflect partly in the current fiscal and fully in the next fiscal.

All these steps are intended to make your company an inherently strong entity, unshakable by market conditions. A combination of futuristic thinking and good old-fashioned hard work focussed on enhancing the value of our stakeholders.

I sincerely hope we succeed in our mission of exceeding your expectations, yet again in the coming financial year....and beyond.

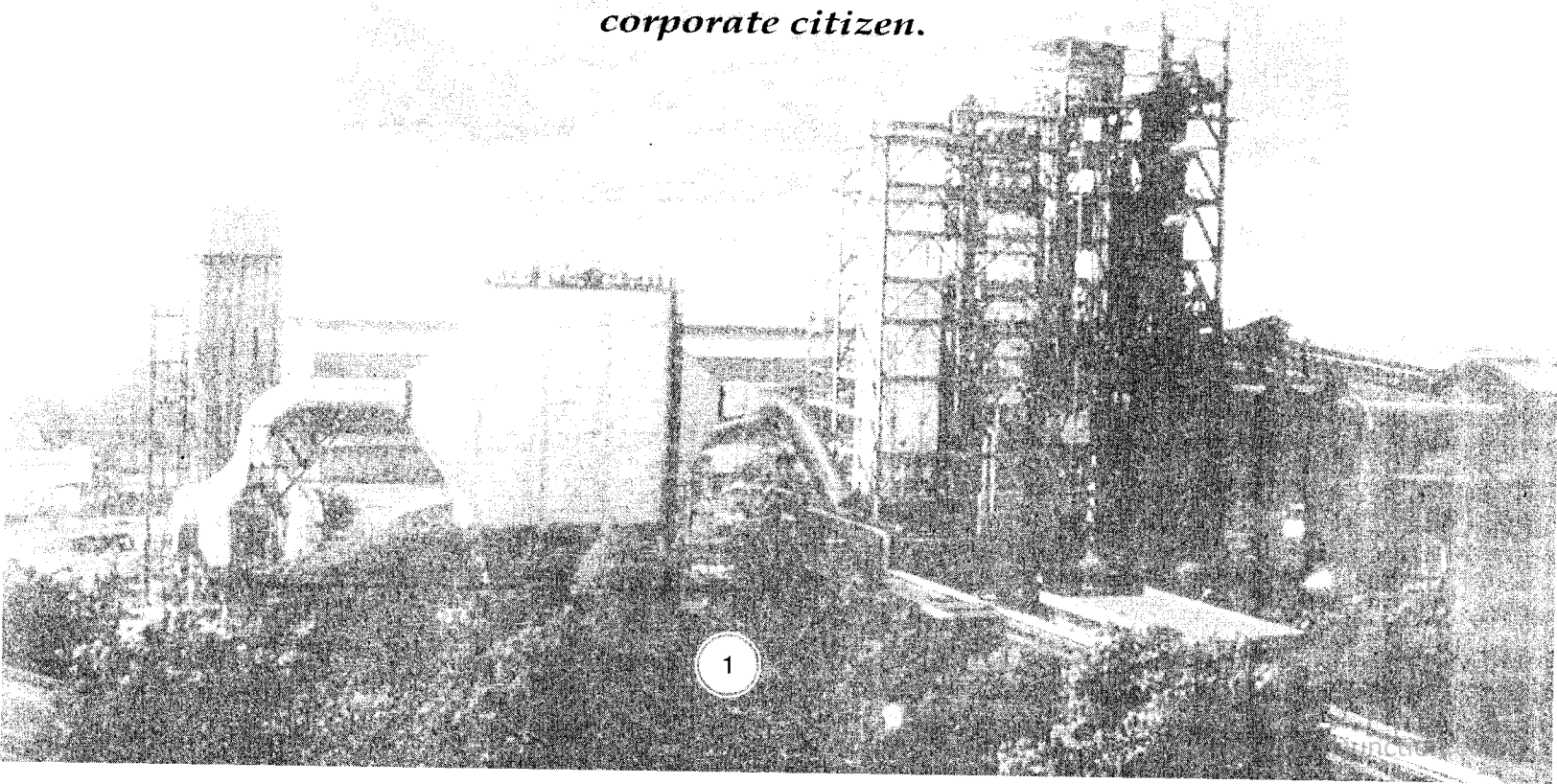
Sandeep Jajodia
Executive Vice-Chairman & Managing Director

Our Vision

- *To achieve holistic leadership in terms of cost, quality and customer satisfaction in a systematic & planned manner.*
- *A symbol of corporate excellence with strong focus for benefitting stakeholders and society at large.*

Our Mission

- *To achieve total integration in operations with global cost & quality standards with the use of latest technology and to be perceived as the "preferred" choice of our customers.*
- *To build a team of motivated and dedicated workforce, with high work ethos.*
- *To strive to emerge as an ideal corporate citizen.*



MONNET ISPAT LIMITED**BOARD OF DIRECTORS**

Shri M.S. Gujral	Chairman
Shri H.C. Bhasin	
Shri G.C. Mrig	
Shri H. Pandey	
Shri Sandeep Jajodia	Exec. Vice Chairman & Managing Director

THIRTEENTH ANNUAL GENERAL MEETING

Date	: 3rd September, 2003
Day	: Wednesday
Time	: 4.30 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.

CONTENTS

	Page No.
Directors' Report and Its Annexure	3 - 6
Corporate Governance Report	7 - 11
Auditors' Report and Its Annexure	12 - 13
Balance Sheet	14
Profit & Loss Account	15
Schedules	16 - 23
Balance Sheet Abstract	24
Cash Flow Statement	25



MONNET ISPAT LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

		2002-2003	[Rs. in Lacs] 2001-2002
Gross Profit before Interest and Depreciation		3528.52	1987.04
Less : Interest	1154.78		741.95
Depreciation	554.35	1709.13	359.42
Profit before tax		1819.39	885.67
Less : Provision for tax		144.00	68.00
Profit after tax		1675.39	817.67
Less : Provision for deferred taxation		167.69	243.31
		1507.70	574.37
Less : Income tax adjust. relating to earlier years		7.22	4.83
Add : Balance of Profit brought forward from previous year		2179.24	1739.03
		3679.72	2308.57
Less : Appropriations			
Transfer to Debenture Redemption Reserve		-	129.33
Transfer to General Reserve		100.00	-
Dividend on equity shares		229.00	-
Dividend Tax		28.63	-
Balance carried to Balance Sheet		3322.09	2179.24

OPERATIONS

During the year under review, your Company produced 195141 MT of Sponge Iron and 62863 MT of M.S. Products as against production of 132385 MT of Sponge Iron and 54822 MT of M.S. Products in the immediately preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

Sponge Iron being a high quality ferrous material is preferred to most other material by Secondary Steel Producers. The continuous decline in the availability of good quality Melting Scrap, for which sponge iron is the immediate substitute, has resulted in a sustained growth in the demand of sponge iron. The year under review has seen an upsurge in the demand of sponge iron as the demand of steel increased due to most user segments like housing, infrastructure and automobile industry sectors having shown positive signs of growth. Further, with the strong demand for steel by China and other developing countries, the prices in the international and domestic market are likely to continue to fare well despite increased global production.

During the year, the GDP is estimated to having grown by 5.1% and is likely to touch 6.3% during the current year 2003-04.

The Government of India is targeting GDP growth of 8% in the ensuing years with a greater emphasis on infrastructure sector. Therefore, domestic steel industry holds promise in the near to mid term.

The proposals announced by Government of India for the development of railway network for Golden Quadrilateral, laying down of 10000 kms long new roads under the National Highway Development Project, development of JNPT and Cochin Ports and Delhi and Mumbai Airports will give impetus to domestic steel industry which would automatically catapult in the demand growth of sponge iron and steel.

The Company has consolidated the capacity of Sponge Iron and Steel at 300000 TPA each, as part of forward and backward integration which include a Coal Mine at Raigarh and captive Power Project of 45 MW by Monnet Power Ltd. located within the premises of Monnet Ispat Ltd.. Your Company is one of the rare companies in the segment of basic steel with integrated facilities. To complete integration, the management has dedicated a task force for the identification & acquisition of Iron Ore Mines. The cost competitiveness captured by the Company makes it one of the most competitive players in the industry.

Opportunities and Threats

Whereas the Company has the rare opportunity to remain cost competitive by its coalmine and captive power operations, the anti dumping measures in international markets and dumping of imported scrap in domestic market, although rare, fall in the international prices and trade wars remain major threat to the steel industry.

However, the company is well guarded against any such threats 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.

Besides having captive coal mine, your Company is in the process of also acquiring Iron Ore Mines for captive use after which raw material dependence from outside sources will be substantially eliminated and will insulate the Company from rise in the prices of these raw materials.

MONNET ISPAT LIMITED



Segment-wise or product-wise performance

For the year upto 31st March, 2003, the Company produced 195141 MT of sponge iron at a capacity utilisation of 85% [previous year 99%]. Similarly, capacity utilisation of Steel Division was 94% during the year as against 110% in the previous year.

During the year under report, the Sponge Iron Division achieved a sales turnover of Rs. 127.16 crores including inter division sale of Rs.30.74 crores. The sales turnover of Steel Division was at Rs.88.11 crores.

Outlook

The Company had chalked out a long term, all encompassing "Raw Material to finished Product" strategy in order to further weed out external margins and span the entire product value-chain, right from power, coal & iron ore to sponge iron to finished steel. Whereas 45 MW power project by associate company Monnet Power Ltd. has been completed, coal from captive mine will be available from next calendar, the Company is working with a definite plan to acquire Iron Ore Mine, which will complete the integration plan. These steps will make your Company an inherently strong entity, unshakable by market conditions to withstand the challenges thrown by the cyclical dynamics of commodity industry and steel.

Further expansions in capacity will bring down the overheads of the Company. Prices of Sponge Iron and MS Ingots have appreciated during the year 2002-03 following overall increase in demand in global and domestic steel industry. The mining operations at the coalmine are expected to commence in the last quarter of current year. This will further bring down per ton cost of sponge Iron and improve the profits of the Company.

Risks and Concerns

The Company undertakes risk assessment periodically. The economic slowdown may lead to imbalance in demand-supply equation. The price of sponge iron is directly related to demand-supply position of steel scrap and prices of steel products. Your Company has a well orchestrated plan to insulate the profitability of the Company in medium to long term.

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.

DIVIDEND

Your Directors recommend a Dividend of 12% [Rs.1.20 per Equity Share] for the year [previous year NIL]. If approved by the shareholders at the Annual General Meeting, the Dividend will absorb Rs. 229.00 lakhs.

DEPOSITORY SYSTEM

As on 31st March, 2003, about 49.04 % of the shares of your Company have been 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 H.C. Bhasin, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Unit Trust of India has withdrawn the nomination of Shri S.K. Das from the Board of the Company and Shri S.K. Das resigned from the Board w.e.f. 7th April, 2003. The Board places on record its appreciation of valuable guidance during his tenure as Director.

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 judgments 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 ;

MONNET ISPAT LIMITED

- (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 ;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

CORPORATE GOVERNANCE

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, is given in Annexure-II forming a part of this report.

AUDIT COMMITTEE

The Audit Committee of Board of Directors constituted in terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 consists of Shri M.S. Gujral as Chairman, Shri G.C. Mrig and Shri Hari Pandey, as its members.

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-I 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 : 26th May, 2003

(M. S. Gujral)
Chairman

ANNEXURE-I

Information as per Section 217(1)(e) of the 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 year ended 31st March, 2003.

A. CONSERVATION OF ENERGY :

- | | |
|--|---|
| a) Energy conservation measures taken : | <ul style="list-style-type: none"> - Utilisation of all size fractions of coal - Minimisation of handling losses - NIL |
| b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy : | |
| 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.
- g) Total Foreign Exchange used and earned
- Used
- Earned

NIL

Rs. 10,27,065/-
NIL

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

	Current Year (2002-2003)	Previous Year (2001-2002)
A. POWER AND FUEL CONSUMPTION :		
1. Electricity		
a] Purchased		
- Units	6,21,34,785	4,91,14,953
- Total Amount (Rs. in lacs)	1796.98	1465.43
- Rate/Unit (Rs.)	2.89	2.98
b] Own Generation		
[i] Through Diesel Generator		
- Units (in KWH)	25,200	44,500
- Units per ltr. of Diesel Oil	7.36	7.99
- Cost/Unit (Rs.)	2.60	2.01
[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)	2,52,174	1,54,578
Total Cost (Rs. in lacs)	3650.51	2439.53
Average rate (Rs. per ton)	1447.61	1578.18
3. Furnace Oil/LDO		
Quantity (K. Ltrs)	85.52	25.35
Total Cost (Rs. in lacs)	12.03	3.79
Average rate (Rs.)	14.07	14.95
4. Others/Internal Generation	NIL	NIL
B. CONSUMPTION PER MT OF SPONGE IRON		
Electricity (in KWH)	90	60
Furnace Oil (Litres)	NIL	NIL
Steem Coal (Tonnes)	1.29	1.16
Others	NIL	NIL
C. CONSUMPTION PER MT OF MILD STEEL INGOTS		
1. Electricity [KWH]	709	750
D. CONSUMPTION PER MT OF S. S. INGOTS		
1. Electricity (KWH)	NIL	NIL

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.