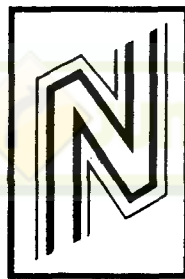


NOVA IRON & STEEL LIMITED



NOVA R.G.
GROUP

13th
ANNUAL
REPORT
2003-2004



NOVA R.G.
GROUP

NOVA IRON & STEEL LIMITED

13TH ANNUAL REPORT

Year ended 31st December, 2004

BOARD OF DIRECTORS

Sh. R.K. Gambhir
Sh. Narsingh Awatar
Sh. V.K. Sakhuja
Sh. M. Ramachandran
Sh. R.P. Singh (IFCI Nominee)

DIRECTOR CUM - COMPANY SECRETARY

Sh. S.P. Maken

BANKERS

Bank of India
Punjab National Bank
Canara Bank

AUDITORS

M/s Antima & Goel
Chartered Accountants
3618/XI, Netaji Subhash Marg,
Darya Ganj, New Delhi-110002

CORPORATE OFFICE

506, Hemkunt Tower,
98, Nehru Place, New Delhi-110 019

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NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED**

NOTICE

Notice is hereby given that the 13th Annual General Meeting of **Nova Iron & Steel Limited** will be held at the plant site & Regd. Office at **Village Dagori, Tehsil Belha, District Bilaspur, Chattisgarh** on **Monday, the 27th day of June, 2005 at 3.30 P.M.** to transact the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2004 and the profit & loss Account of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri N. Awatar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration . M/s Antima & Goel, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

By order of the Board

Place : New Delhi

Dated :20th May, 2005

(S.P. Maken)**Director & Company Secretary**

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NOTES :-

1. A member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy, in order to be effective, must be deposited with the Company at its Registered Office not less than 48 hours before the time fixed for the meeting.
2. The Register of Members and the Share Transfer Books shall remain closed from 16/06/2005 to 27/06/2005 (both days inclusive).
3. Members seeking information about the accounts are requested to write atleast 10 days before the date of the meeting so that it may be convenient to keep the information ready at the meeting.
4. Members are requested to bring their copy of Annual Report at the Meeting.
5. Members are requested to notify immediately any change in their addresses quoting their folio numbers.

NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Thirteenth Annual Report together with Audited Accounts for the period ended 31st December, 2004.

Since the accounting year under reference has been extended by six months to end on 31st December, 2004 against the previous year's closing on 30th June, 2003 the Company has prepared the accounts for a period comprising of 18 months for this year also.

FINANCIAL RESULTS

	(2003-2004) (18 Months) (Rs. In Lakhs)	(2002-2003) (18 Months) (Rs. In Lakhs)
Total Income	17562.12	11641.17
Gross Profit (Loss)		
Before interest and depreciation	238.27	(48.42)
Interest & Financial Charges	19213.15	14145.34
Profit/ (Loss)	(18974.88)	(14193.76)
Depreciation	989.41	1125.10
Net Profit/(Loss) Transferred to Balance Sheet	(19964.29)	(15318.86)

OPERATIONS & FUTURE OUTLOOK

The operations of the Company during the period under review continue to be under strain. Such strain is reflected in the rising costs of Iron Ore, Coal, Power, freight and other inputs with no corresponding increase in Sponge Iron prices which has further worsened the financial position of the Company. For the last about 2 years the prices of Iron Ore have increased many fold. This has further shaken the business economics and has eroded the bottom line of the Company. The sponge iron industry is yet to get encouraging support from the Government.

As informed in the previous reports the company was declared a Sick Company by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 23rd June, 1998. The Company had submitted a scheme for Rehabilitation to the Operating Agency i.e. IFCI and BIFR. Subsequently, the Company submitted a modified proposal on 15.10.1999.

The BIFR at the hearing on 27th October, 1999 directed the Company to hold discussions with the Secured Creditors for sorting out the matter regarding the reliefs & concessions sought and to submit an agreed Comprehensive Rehabilitation Scheme with the means of Finance fully tied up. Subsequently, the Company submitted a revised Rehabilitation proposal vide its letter dated 11th Nov., 1999.

The Company has not heard anything from the Operating Agency (IFCI) so far, nor the OA has carried out any techno-economic feasibility. In the meantime, the Company filed a Writ Petition in the High Court at Jabalpur (MP) against the Order of BIFR dated 27th October, 1999, on the plea that the normal procedure laid down under the Sick Industrial Companies (Special Provisions) Act (SICA) has been ignored completely by the BIFR and that the BIFR has failed to apply its mind to the proposal submitted by the Company and has insisted that even prior to the submission of a proposal, the Company arrives at an agreed scheme with secured creditors.

The Jabalpur High Court granted stay of the proceedings at BIFR in the meantime. The matter has since been transferred to the Chattisgarh High Court at Bilaspur.

In the meantime in a hearing at BIFR on 20.01.2003, the BIFR has permitted a few secured creditors and one unsecured creditor to file/continue recovery suits subject to the condition that decrees, if issued, would not be executed without specific approval of the Bench. The BIFR has also directed again to submit a fully tied up proposal. Again on a hearing on 03/11/2003 the BIFR has permitted two more secured creditors to file/continue recovery suits. The Company has filed Appeals with the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) against both the said orders of BIFR. The hearing of the Appeal is yet to take place. The Company had, however, moved an application to the High Court of Chattisgarh at Bilaspur requesting for an early disposal of our pending petition.

As reported earlier, your Directors feel that it is possible to revive the Company if the revised scheme of Rehabilitation, as submitted to the Operating Agency and BIFR, is approved.

DIVIDEND

Your Directors express their inability to recommend dividend for the period under review.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company, Sh. N. Awatar and Sh. M. Ramachandran, Directors retire by rotation and offer themselves for re-appointment.

Sh.M. Ramachandran ceased to be a Whole Time Director on account of resignation w.e.f. 15/10/2004.

Sh. R.P. Singh has been nominated by IFCI Ltd. on the Board of the Company w.e.f. 31/07/2004 in place of Sh. S.C. Kapoor whose nomination was withdrawn w.e.f. 05/12/2003. The Board places on record its appreciation and gratitude for the valuable contribution made by Sh. S.C. Kapoor during his tenure as a Director of the Company.

NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED****AUDITORS AND THEIR REPORT ON THE ACCOUNTS**

The Company's Auditors M/s Antima & Goel, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Your Directors recommend their appointment as Statutory Auditors for another year.

Auditor's Report to the Accounts has been considered by the Board and clarified, wherever necessary, in the Schedule "NOTES ON ACCOUNTS".

PUBLIC DEPOSITS

The Company has not invited or accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance and a Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance in terms of Clause 49 of Listing Agreement is appended as Annexure -I to this report.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956

As stipulated in Section 217(2AA) of Companies Act, 1956, your Directors hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures ;
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2004 and of the profit and loss of the Company for the period ended on that date ;
- (iii) the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) the directors have prepared the annual accounts on a going concern basis.

PARTICULARS RELATING TO EMPLOYEES

During the year the Company had no employees to whom the provisions of Section 217(2A) of the Companies Act,

1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time, were applicable.

PARTICULARS RELATING TO TECHNOLOGY ABSORPTION, CONSERVATION OF ENERGY & FOREIGN EXCHANGE EARNINGS AND OUTGO.

Statement giving information regarding conservation of energy, technology absorption etc. required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended as Annexure-II and forms part of this Report.

INDUSTRIAL RELATIONS

Relations between the Management and its Employees/ Workmen have been cordial and the Directors wish to express their appreciation for the co-operation and dedication of the Employees/Workmen at all levels of the Company.

COMPLIANCE CERTIFICATE FROM THE AUDITORS IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT.

A certificate form the Auditors of the Company regarding compliance of conditions of Corporate Governance in terms of Clause 49 of the Listing Agreement is appended as Annexure III to this report.

ACKNOWLEDGEMENTS

Your Directors convey their sincere thanks to the Bankers, Financial Institutions, various departments in Central and State Governments and all others associated with the Company for their co-operation, continued support and confidence resposed by them in the Company.

For and on behalf of the Board

Place : New Delhi
Date : 20th May, 2005

R.K.GAMBHIR **N.AWATAR**
(Director) (Director)

NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED****ANNEXURE-II TO DIRECTORS' REPORT****STATEMENT PURSUANT TO SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.****(A) CONSERVATION OF ENERGY :****a) ENERGY CONSERVATION MEASURES TAKEN :**

- By procuring prepared Iron Ore of size 5-18mm in place of 5-20, size iron ore, the operating Hours of iron ore crusher and the Raw Material Preparation Plant have been reduced to a great extent.
- Continued energy audit of all the Electrical drives has helped in the optimisation of idle running of Motors and saving of Electrical Energy and its cost.

b) ADDITIONAL INVESTMENT AND PROPOSALS BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY

- Installation of additional 1250 KVA DG set to avoid raw material feed loss.
- Installation of Hydraulic Fluid Coupling for 250KW Waste Gas Fan to reduce Power Consumption.
- Implementation of skewed gas flow technology from M/s Baltec System, Australia, for improving the performance of the Electrostatic Precipitator and in plant Bag filters.
- Propose to install a new energy efficient vibrating Screen in the production separation circuit to achieve higher recovery of quality product and saving of energy.

c) IMPACT OF ABOVE MEASURES:

With the implementation of the measures referred above at (a) Saving in energy has been achieved.

Implementation of measures cited at (b) would result in

- i) Increased Production
- ii) Reduced Power Consumption
- iii) Improved Financial Performance and
- iv) Improved dust collection efficiency and improved working Environment.

TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form-B Annexed

FOREIGN EXCHANGE EARNINGS AND OUT GO:**ACTIVITIES RELATING TO EXPORTS, INITIATIVES TAKEN TO INCREASE EXPORTS, DEVELOPMENTS OF NEW EXPORT MARKETS FOR PRODUCTS AND SERVICES AND EXPORT PLANS.**

Cost of key inputs to manufacture Sponge Iron, like Iron Ore, Coal, Power and transportation etc., have increased substantially. Indian Coal based sponge Iron Industry continues to be in a disadvantageous position with respect to its overseas counterparts. However, company is making efforts to counter the difficulties and explore the export markets.

TOTAL FOREIGN EXCHANGE USED & EARNED (2003-04)

• Earned	: Nil
• CIF Value of Imported Components and Spares	: Nil
• Other Expenses	: Nil
• Interest on Loans	: Rs.1 18,31,687

FORM-B : RESEARCH AND DEVELOPMENT (R & D)**1. SPECIFICATION AREA IN WHICH R & D CARRIED OUT BY THE COMPANY.**

- Studies on process parameters like Kiln Speed, Air Profile, Control of particles, Size of Raw Materials for achieving Long Campaign life.
- Studies on characteristics of Low Grade Iron Ore from New Sources for production of Sponge Iron.
- Studies on utilisation of Waste Material and marketing research for selling the waste materials
- Studies on New Type of Refractory material

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D:

- Campaign life has been improved resulting in two shut downs only in a year instead of 3 thereby effecting reduction in cost of shut down maintenance.
- Use of Iron Ore from New Sources has been established.
- Market for sale of all types of waste material has been developed.
- Suitable indigenous refractory for sponge iron kilns has been developed.
- Refractory consumption has been reduced

3. FUTURE PLAN OF ACTION :

- Condition monitoring and predictive maintenance to improve plant availability.
- Study of gas flow pattern in electrostatic precipitator for enhancement in performance of the Electro Static Precipitator.
- Modification in the material flow circuit to effect reduction in the gross consumption of Iron Ore
- Provision of additional Bag filters for improving the working environment.

4. EXPENDITURE ON R & D:

- Since in-house expertise, available equipments and instruments were used, separate identification/allocation of expenditure towards R & D is not feasible.

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION :

- Lurgi's technology based on SL/RN Process has been fully absorbed and Process/operations parameters have been optimised.