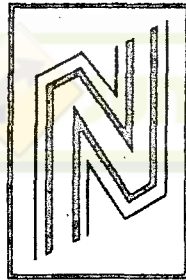


NOVA IRON & STEEL LIMITED



NOVA R.G.
GROUP

15th
ANNUAL
REPORT
2006-2007



NOVA R.G.
GROUP

NOVA IRON & STEEL LIMITED

15TH ANNUAL REPORT 2006-2007
Year ended 31st March, 2007

BOARD OF DIRECTORS

Sh. R.K. Gambhir
Sh. Narsingh Awatar
Sh. V.K. Sakhuja
Sh. M. Ramachandran
Sh. A. Rajasekaran
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

PLANT & REGD. OFFICE

Village - Dagori, Tehsil-Belha
Distt. Bilaspur (Chhattisgarh)
Pin 495 224

Report Junction

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NOVA IRON & STEEL LIMITED

NOTICE

Notice is hereby given that the 15th 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 **Saturday, the 29th September, 2007 at 12-30 P.M.** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 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.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, the re-appointment of Sh. S.P. Maken as a Whole Time Director of the Company, not liable to retire by rotation, for a further period of 3 years w.e.f. 21.6.2007 be and is hereby approved on the following terms & conditions:
 - i. **SALARY:** Basic salary of Rs.20,000/- (Rupees Twenty Thousands only) per month.
 - ii. **PERQUISITES:**

CATEGORY A:

- i. House Rent Allowance / Company leased accommodation upto Rs.10,000/- (Rupees Ten Thousands only) per month.
- ii. Reimbursement of the following at actuals not exceeding :
 - Rs. 10,600/- per month for Car Maintenance expenses for the business of the Company.
 - Rs. 2,000/- per month on Newspapers, Books & Periodicals.
 - Rs. 1,200/- per month on Medical Expenses.
 - Rs. 3,000/- per month on Business Promotion

CATEGORY B:

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per rules of the Company and to the extent these are, singly or put together not taxable under the Income Tax Act, 1961.
- ii. Leave Travel Assistance as per Rules of the Company and not taxable under the Income Tax Act, 1961.
- iii. Encashment of Leave(s) as per rules of the Company.
- iv. Gratuity as per rules of the Company.

CATEGORY C:

Providing of car and Driver for use of Company's business and telephone at residence will not be considered as perquisites.

For the purpose of calculating the ceiling of remuneration, Perquisites shall be evaluated as per Income Tax Rules, wherever applicable.



NOVA IRON & STEEL LIMITED

In the event of loss or inadequacy of profits, Mr. S.P. Maken will be paid the remuneration as mentioned hereinabove subject to the maximum limit as prescribed in Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER that services of Mr. S.P. Maken can be terminated by giving a minimum written advance notice of three months by either party or by payment of three month's salary in lieu thereof."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of appointment of Sh. S.P. Maken, as it may, from time to time, in its discretion deem fit."

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

"In supersession of earlier resolution, it is be and hereby RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals as may be required, the appointment of Sh. A. Rajasekaran as a Whole Time Director of the Company, not liable to retire by rotation, for a period of 3 years w.e.f. 01-06-2007 is hereby approved on the following terms and conditions:

- a) Basic Salary Rs. 85,000/- (Rupees Eighty Five thousand only) per month.
- b) - Education Allowance - Rs. 15,000/- P. M.
- Spl. Allowance - Rs. 15,000/- P.M.
- Servant Allowance - Rs. 10,000/- P.M.
- Gardner Allowance - Rs. 10,000/- P.M.
- Books & Periodicals Allowance - Rs. 10,000/- P.M.
- Leave Travel Allowance - Rs. 30,000/- Per annum.
- Medical Allowance - Rs. 2,500/- P.M.
- c) Free use of Company's Car and Driver for the business of the Company.
- d) Free use of telephone at residence for the business of the Company.
- e) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per rules of the Company and to the extent these, singly or put together, are not taxable under the Income tax Act, 1961.
- f) Encashment of leave(s) as per rules of the Company.
- g) Gratuity as per rules of the Company.

In the event of loss or inadequacy or profit, Shri A. Rajasekaran would be paid the remuneration as mentioned hereinabove subject to the maximum limit as prescribed in schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of appointment of Sh. A. Rajasekaran, as it may, from time to time, in its discretion deem fit."

By order of the Board

Place : New Delhi
Dated : 31st July, 2007

(S.P. Maken)
Director & Company Secretary

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 18/09/2007 to 29/09/2007 (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 IRON & STEEL LIMITED

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act 1956.

Item No. 5

Mr. S.P. Maken is a Law Graduate and a Company Secretary. He has an overall experience of about 34 years, including in the United Breweries Group, DCM Group and Modi Group at Senior positions. He is working in Nova Group for the last over 13 years.

He is currently working as a Whole Time Director and Company Secretary and his job profile includes work relating to Legal, Secretarial, Financial & general Commercial matters. He is quite suitable to the job.

The remuneration paid to Mr. S. P. Maken for the last 3 years is as under –

	Salary (Rs.)	Perquisites and Allowance (Rs.)
2006 – 2007	144000/-	273600/-
2005 – 2006	144000/-	273600/-
2004 – 2005	144000/-	273600/-

The remuneration now proposed is as per proposed Resolution. The remuneration proposed is on the lower side, compared to the size of the Company, profile of the position and his own professional background.

He has no pecuniary relationship with the Management personnel. He is not a Director in any other Company.

None of the Directors, except Mr. S.P. Maken himself is interested in this Resolution.

Item No. 6

Sh. A. Rajasekaran is B.E (Metallurgy) and has about 35 years experience in the Steel Industry and is a widely traveled person. He has earlier worked with Tamil Nadu Steels; Sponge Iron India Ltd., IPPITATA Sponge Iron Ltd., Gold Star Steel Alloy Ltd., Shree Rangaraj Steel & Alloys at Senior positions. He has earlier worked with Nova Iron & Steel Ltd. from October, 1994 to September, 2003 as Vice-President (Works).

As Director(Works) he will be incharge of all activities relating to Plant operations at the Plant site. He is quite suitable to the Job.

The remuneration now proposed is as per proposed Resolution. The remuneration proposed is as per industry norms, compared to the size of the Company, profile of the position and his own professional background.

He has no pecuniary relationship with the Management personnel. He is not a Director in any other Company.

None of the Directors, except Mr. A. Rajasekaran himself is interested in this Resolution.

Reasons for Losses

Rising costs of iron Ore, Coal, Power, Freight, high rates of interest and high cost of Technology have been the main reasons for the Losses.

With the approval of the OTS proposal of the Company by the Secured Lenders, the financial position is expected to improve. Besides, efforts are on to locate captive mines and to undertake expansion with the help of a strategic investor. This is expected to increase the productivity and profitability of the Company.



NOVA IRON & STEEL LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report together with Audited Accounts for the period ended 31st March, 2007.

FINANCIAL RESULTS

	(2006-2007) (12 Months) (Rs. In Lakhs)	(2005-2006) (15 Months) (Rs. In Lakhs)
Total Income	13772.48	16740.80
Gross Profit (Loss)		
Before interest and depreciation	180.08	(659.65)
Profit/ (Loss)	169.50	(21845.48)
Depreciation	322.33	492.75
Provision for Fringe Benefits Tax	5.00	6.00
Net Profit/(Loss) Transferred to Balance Sheet	(157.83)	(22344.23)

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 3 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 and the business of manufacturing and sale of Sponge Iron as such has become quite unviable. 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 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 November, 1999.

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. The Company had, however, moved an application to the High Court of Chattisgarh at Bilaspur requesting for an early disposal of our pending petition.

In the meantime, pursuant to the decision taken in the joint meeting of Secured Creditors held on 14th November, 2006, IFCI initiated action, in exercise of powers conferred under section 13(4) of the Securitisation & Reconstruction of Financial Assets and Enforcement of Security Act, 2002 (SARFAESI). However, in view of the OTS proposal submitted by the Company on 20th April, 2007, the proposed action under SARFAESI was recalled. The said OTS proposal was approved at the Joint Meeting of Secured Lenders held on 25th April, 2007. Final approvals from some of them have since been received. In view of these developments, therefore, no interest on the Secured Loans has been provided for the year under review.

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. A. Rajasekaran has been appointed as a Wholtime Director w.e.f. 01-06-2007, by the Board of Directors, subject to the approval of shareholders.

Three years term of Sh. S.P. Maken as a Whole Time Director expired on 20-6-2007. The Board of Directors have re-appointed him for a period of 3 years w.e.f. 21-6-2007, subject to the approval of shareholders.

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".

NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED****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 March, 2007 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 from 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

R.K.GAMBHIR

N.AWATAR

Date : 31st July, 2007

(Director)

(Director)



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:

I. ENERGY CONSERVATION MEASURES TAKEN:

- Replacement of Hot Gas Ducts in gas conditioning tower and in Electrostatic Precipitator.
- Installation of variable frequency drive for in plant de-dusting fan.
- Optimisation of Iron Ore circuit operation in the Raw Material Preparation Plant.
- Installation of 1250 KVA DG Set.
- Installation of Bag Filter in the Cooler discharge area.

II. ADDITIONAL INVESTMENT & PROPOSAL BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY:

- Replacement of Hot Gas Ducts was done at a cost of Rs.50 Lacs;
- Installation of Bag Filter, VVVF Drives, Vibrating Screens have been done at a cost of Rs.25 Lacs;
- Installation of additional 1250 KVA DG Set was done at a cost of Rs.120 Lacs.

III. IMPACT OF ABOVE MEASURES:

With the implementation of above measures, savings in electrical energy has been achieved as given below:

• Hot Gas Duct	: 156378 kwh/annum
• Iron Ore Circuit	: 254400 kwh/annum
• VVVF Drive	: 172800 kwh/annum

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 (2006-2007)

• Earned :	Nil
• CIF Value of Imported Components and Spares :	Nil
• Other Expenses :	Nil
• Interest on Loans :	Nil

FORM B : RESEARCH AND DEVELOPMENT (R&D)

1. SPECIFIC AREA IN WHICH R & D CARRIED OUT BY THE COMPANY

- Implementation of condition monitoring and predictive maintenance practices.
- Studies on use of Iron Ore in the size of 4-18 mm instead of 5-18mm;
- Studies on utilization of ESP Dust and Dolochar ;
- Studies on use of low grade iron ores for production of sponge iron.

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

- With good use of condition monitoring techniques use of lubricants and replacement of spares have been optimized.
- With use of iron ore 4-18mm, the quantity of waste iron ore fines has been reduced by 2-3 percent.
- Use of low grade iron ores from new sources has been established.
- Market for sale of ESP dust and Dolo Char has been developed.

3. FUTURE PLAN OF ACTION:

- Installation of Waste heat Recovery Boilers for Power generation.
- Installation of new Electrostatic Precipitator to achieve revised norms of Chattisgarh Pollution Conservation Board.
- Installation of 100 TDP Kilns to utilize the waste iron ore and coal fines for the production of Sponge Iron.

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 optimized.

NOVA R.G.
GROUP**NOVA IRON & STEEL LIMITED****CERTIFICATE****ANNEXURE-III****To The Members of
Nova Iron & Steel Ltd.**

We have examined the compliance of conditions of Corporate Governance by Nova Iron & Steel Ltd. ('the Company') for the year ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges. The Company has complied the same materially.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied in material respects with the conditions of Corporate Governance, except as reported in the Corporate Governance report, as stipulated in the Listing Agreement.

We have been explained that no investor grievances remained un-attended for a period exceeding one month, as at 30th April, 2007 against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For ANTIMA & GOEL
Chartered Accountants**

New Delhi
31st July, 2007

**(R.B.Goel)
Partner**



NOVA IRON & STEEL LIMITED

ANNEXURE-I TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

Pursuant to SEBI Circular No. SMDRP/Policy/CIR-10/2000 dated February 21, 2000, Corporate Governance norms have been enshrined in Clause 49 of the Listing Agreement with the Stock Exchanges.

The Company is fully committed to good Corporate Governance practices. Your Directors endeavour to adhere to the Standards set out by the Securities And Exchange Board of India (SEBI). Your Company is, therefore, complying in all material respects the mandatory requirements as explained hereunder :-

BOARD OF DIRECTORS

- a) The Board consists of Seven directors. As required, more than 50% (more than 2/3rd in our case) are non-executive Directors, and more than one third (2/3rd in our case) of the board comprises of independent directors.
- b) **Attendance Record of Directors in the Board Meetings held during the period under review –**

Date of Board Meeting	R.K.Gambhir	N.Awatar	V.K.Sakhuja	S.P.Maken	M.Ramachandran	A. Rajasekaran	R. P. Singh
28.04.2006	✓	✓	X	✓	X	X	✓
29.07.2006	✓	✓	✓	✓	X	X	✓
30.10.2006	✓	✓	X	✓	X	X	✓
31.01.2007	✓	✓	✓	✓	X	X	✓

c) **NUMBER OF DIRECTORSHIPS/NUMBER OF BOARD COMMITTEE MEMBERSHIPS HELD IN OTHER PUBLIC LIMITED COMPANIES.**

Name of the Director	No. of Directorships held in other Public Ltd. Companies	Number of Board Committee Memberships held in other Companies
Sh. R.K.Gambhir	-	-
Sh. Narsingh Awatar	1	-
Sh. V.K.Sakhuja	-	-
Sh. M.Ramachandran	-	-
Sh. R.P.Singh	4	3
Sh. S.P.Maken	-	-
Sh. A. Rajasekaran	-	-

- d) The Non-Executive Directors had no pecuniary relationship or transactions with the Company in their personal capacity during the period under review.
- e) Sh. N. Awatar and Sh. M. Ramachandran are retiring by rotation and have offered themselves for re-appointment. Sh. N. Awatar is a practising Chartered Accountant and has a vast experience of about 47 years in Commerce & Industry. He is an independent director on the Board.
Sh. M. Ramachandran is M. Tech and has an overall experience of more than 33 years in setting up, management and consultancy for Sponge Iron and Steel Projects.
- f) Details of remuneration paid to the Directors during the Period under review :

(i) **Executive Directors**

S.No.	Name of the Director	Salary(Rs.)	Perquisites and Allowances(Rs.)	Period
1.	Mr. S.P. Maken	1,44,000	2,73,600	01/04/2006 to 31/03/2007

(ii) **Non-Executive Directors**

S.No.	Name	Sitting Fee(Rs.)
1.	Mr. N. Awatar	9,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings.