

NOVA IRON & STEEL LIMITED



NOVA R.G.
GROUP

17th
ANNUAL
REPORT
2008-2009



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NOVA IRON & STEEL LIMITED

17TH ANNUAL REPORT 2008-2009
Year ended 31st March, 2009

BOARD OF DIRECTORS

Mr. R.K. Gambhir - Chairman
Mr. Narsingh Awatar
Mr. V.K. Sakhuja
Mr. M. Ramachandran
Mr. A. Rajasekaran
Mr. Bhaskar Thatikonda - Whole Time Director

DIRECTOR-CUM - COMPANY SECRETARY

Mr. S.P. Maken

BANKERS

Bank of India

AUDITORS

M/s Antima & Goel
Chartered Accountants
A-6, Lower Ground Floor,
Defence Colony, New Delhi-110024

CORPORATE OFFICE

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

PLANT & REGD. OFFICE

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

REGISTRAR & SHARE TRANSFER AGENTS

Abhibra Capital Limited
F-7/4, Ground Floor, Sector-16,
Rohini, Delhi-110085

Report



Report Junction

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NOVA IRON & STEEL LIMITED

NOTICE

Notice is hereby given that the 17th 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 Friday, the 25th September, 2009 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, 2009 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 modification(s) the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Bhaskar Thatikonda who was appointed as an Additional Director of the Company w.e.f. 16-03-2009 and who ceases to hold office under section 260 of the Companies Act, 1956 be and is hereby appointed a Director of the Company"

6. To consider and if thought fit, to pass with or without modification(s), 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 appointment of Sh. Bhaskar Thatikonda as a Whole Time Director of the Company, not liable to retire by rotation, for a period of 3 years w.e.f. 16.3.2009 be and is hereby approved on the following terms & conditions:

- a) **Basic Salary Rs. 22,000/-** (Rupees Twenty Two Thousand only) per month
 - b) - Spl. Allowance - Rs. 1,600/- P.M.
- Servant / Gardner Allowance - Rs. 4,800/- P.M.
- Books & Periodicals Allowance - Rs. 2,500/- P.M.
- Medical Allowance - Rs. 1,250/- P.M.
 - c) Reimbursement of Petrol expenses upto Rs. 9,500/- p.m. for use of Company's Car for the business of the Company.
 - d) Leave Travel Assistance - Subject to a maximum of One Month Salary per Annum.
 - e) Free use of telephone at residence for the business of the Company.
 - f) 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.
 - g) Encashment of leave(s) as per rules of the Company.
 - h) Gratuity as per rules of the Company."
- "In the event of loss or inadequacy of profit, Shri Bhaskar Thatikonda 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 Shri Bhaskar Thatikonda, as it may, from time to time, in its discretion deem fit."

By order of the Board

Place : New Delhi

Date : 20th August, 2009

(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 14-9-2009 to 25-9-2009 (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.

ANNEXURE TO THE NOTICE

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

Items No. 5 & 6

A notice from a member proposing the candidature of Mr. Bhaskar Thatikonda as Director alongwith deposit of Rs.500/- (Rupees Five Hundred only) pursuant to the provisions of section 257 of the Companies Act, 1956 has been received by the Company.

Shri Bhaskar Thatikonda is B.Tech. (Mech.) and has about 32 years of experience in the steel industry. He is working with Nova Iron & Steel Ltd for the last 6 years and prior to his appointment as a Director w.e.f. 16-03-2009 he was working as Senior Vice President (Technical). As Director (Works) he will be in-charge of all activities relating to the plant operations at the plant site. In view of his vast relevant experience, he is quite suitable to the job.

The remuneration proposed is as per industry norms, compared to the size of the company, profile of the position, his own professional background and as approved by the Remuneration Committee of Directors in its meeting held on 6th March, 2009.

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

None of the Directors, except Mr. Bhaskar Thatikonda himself is interested in this Resolution.

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GROUP**NOVA IRON & STEEL LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Seventeenth Annual Report together with Audited Accounts for the Year ended 31st March, 2009.

FINANCIAL RESULTS

	(2008-2009) (Rs. In Lakhs)	(2007-2008) (Rs. In Lakhs)
Total Income	25117.28	18466.67
Gross Profit / (Loss) before interest and depreciation	1626.27	295.95
Profit / (Loss) before depreciation	1586.76	266.86
Depreciation	278.50	294.60
Provision for Fringe Benefits Tax / Wealth Tax	3.43	3.06
Deferred Tax	(71.35)	---
Net Profit / (Loss) Transferred to Balance Sheet	1376.18	(30.80)

OPERATIONS & FUTURE OUTLOOK

With the approval of OTS and the Company having paid the entire OTS amount to the Banks/Financial Institutions, there are no Secured Loans and, therefore, there has been no interest liability during the year under review. As a result of this there has been an improvement in the operational results and, therefore, there has been a net profit of Rs. 13.76 crores during the year.

The real solution for the viability of operations, however, lies in the forward and backward integrations. The need of the hour is to have own captive mines; installation of power plant utilizing waste heat of kiln; expansion of production capacity; installation of furnace etc. However, in view of the over all economic slow down the efforts towards the execution of expansion plans have, for the time being, been put on hold.

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 ceased to be a Whole Time Director, consequent upon his resignation w.e.f. 13-1-2009. He, however, continues to be on the Board of the Company as an independent Director.

Sh. Bhaskar Thatikonda was appointed as a Whole Time Director w.e.f. 16-03-2009 by the Board of Directors subject to the approval of the Shareholders.

AUDITORS

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.

AUDITORS' REPORT ON THE ACCOUNTS

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:

- in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures ;
- the Directors have selected such accounting policies and applied them consistently and made judgments 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, 2009 and of the profit and loss of the Company for the period ended on that date ;
- 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 ;
- the Directors have prepared the annual accounts on a going concern basis.

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GROUP**NOVA IRON & STEEL LIMITED****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 reposed by them in the Company.

For and on behalf of the Board

Place : New Delhi
Date : 20th August, 2009

R.K.GAMBHIR
(Chairman)

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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:****I) Energy conservation measures taken:**

- Provision of spare Inverter fan for I.D. Fan.
- Inverter for I.D. Fan is being commissioned alongwith new ESP.
- ESP Inlet and Outlet ducts are being replaced alongwith new ESP.

II) Additional investment & proposal being implemented for reduction of consumption of energy:

- Provision of spare Inverter and motor For ID Fan Rs. 12.00 Lacs
- Provision for feeding of back flow coal into the system Rs. 11.00 Lacs

III) Impact of above measures:

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

Inverter for I.D. Fan and repair	360000
of Gas Ducting/ESP	Kwh/annum
On account of Thermal Energy	Rs.6.0
for using back flow coal	Lakh/annum

TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form-B Annexed.

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 a disadvantageous position compared to its overseas counterparts. However, company is making efforts to counter the difficulties and explore the export markets.

TOTAL FOREIGN EXCHANGE USED & EARNED (2008-09)

• Earned	: Nil
• CIF Value of Import	: Rs. 66.45 Lac
• Other Expenses	: Rs. 00.07 Lac
• 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.
- Use of Iron Ore in the size of 4-18 mm instead of 5-18mm.
- utilization of ESP Dust for domestic fuel and Dolo Char for power generation.

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.
- Market for sale of ESP dust for domestic fuel and Dolo Char particularly for power generation has been developed.

3. FUTURE PLAN OF ACTION:

- Installation of Waste heat Recovery Boilers for Power generation.
- New Electrostatic Precipitator and Pulse Jet Bag Filter is being commissioned during the year, to achieve revised norms of Chattisgarh Environment Conservation Board (CECB).

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.

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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, 2009, 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 31st July, 2009 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**

Place : New Delhi
Date : 20th August, 2009

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

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GROUP**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 continue 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. More than 50% (over 2/3rd in our case) are non-executive Directors, and more than one third 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	Bhaskar Thatikonda
30.04.2008	✓	✓	✓	✓	✓	X	-
14.06.2008	✓	✓	✓	✓	X	X	-
31.07.2008	✓	✓	✓	✓	X	X	-
31.10.2008	✓	✓	✓	✓	X	X	-
31.01.2009	✓	✓	✓	✓	X	X	-
16.03.2009	✓	✓	✓	✓	X	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. A. Rajasekaran	-	-
Sh. S.P.Maken	-	-
Sh. Bhaskar Thatikonda	-	-

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 practicing Chartered Accountant and has a vast experience of about 49 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 35 years in setting up, Management and Consultancy for Sponge Iron and Steel Projects. He is an independent Director on the Board.

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	3,30,000	3,15,600	01/04/2008 to 31/03/2009
2.	Mr. A. Rajasekaran*	7,97,903	5,63,226	01/04/2008 to 12/01/2009
3.	Mr. Bhaskar Thatikonda	11,355	9,496	16/03/2009 to 31/03/2009

* Resigned as Whole Time Director w.e.f. 13-1-2009

(ii) Non-Executive Directors

S.No.	Name	Sitting Fee(Rs.)
1.	Mr. N. Awatar	10,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings.
2.	Mr. V.K. Sukhuja	10,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer committee Meetings.

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(g) The terms of appointment of the Whole-time Directors are as per Shareholders' Resolutions. There are no separate contracts entered into with them.
There is no Stock option Scheme offered to them.

BOARD PROCEDURE

During the year under review 6 meetings of the Board were held. The intervening period between two Board Meetings was well within the maximum prescribed gap of three months.

Last Annual General Meeting was held on 23.09.2008 which was attended by Mr.N.Awatar and Mr. S.P.Maken, Directors.

CODE OF CONDUCT

The Board had approved a 'Code of Conduct' binding on all Board Members and Senior Management Personnel in its meeting held on 28th April, 2006. The same was circulated to all concerned for compliance.

CFO CERTIFICATION

The CFO of the Company has duly submitted the required certification to the Board alongwith the Annual Accounts as per the provisions of clause 49 of Listing Agreement.

AUDIT COMMITTEE

An Audit Committee consisting of 3 members, all being non-executive directors, has been constituted. Two of the 3 members are independent directors and the Chairman of the Committee is also independent director and he is a very senior practising Chartered Accountant.

The Company Secretary is the Secretary of the Audit Committee.

The following are the members of the Audit Committee.

1. Sh. N.Awatar (Chairman)
2. Sh. V.K.Sakhuja
3. Sh. R.K.Gambhir

The General Manager (Accounts) who is the head of the Accounts functions is invited to all the meetings of the Audit Committee. A representative of the Statutory Auditors is a permanent invitee to the Audit Committee Meetings.

The following are the terms of reference of the Committee –

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. *Approval of payment to statutory auditors for any other services rendered by the statutory auditors.*
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. **Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956**
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.