

438.

NOVA IRON & STEEL LIMITED



NOVA R.G.
GROUP

18th
ANNUAL
REPORT
2009-2010



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NOVA IRON & STEEL LIMITED

18TH ANNUAL REPORT 2009-2010
Year ended 30th June, 2010

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
Axis Bank Ltd.
Kotak Mahindra Bank Ltd.

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 (Chhattisgarh)
Pin 495 224

REGISTRAR & SHARE TRANSFER AGENTS

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

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NOTICE

Notice is hereby given that the 18th 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 8th October, 2010 at 12-30 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2010 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 R.K. Gambhir who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri V.K. Sakhuja 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 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 re-appointment of Sh. S.P. Maken as a Whole Time Director for a further period of 3 years w.e.f. 21-6-2010 on the following terms and conditions be and is hereby approved-

I) **SALARY** : Basic salary of Rs. 60,000/- (Rupees Sixty Thousands Only) per month

II) **PERQUISITES** :

CATEGORY A :

- i) House Rent Allowance/Company leased accommodation upto Rs. 20,000/- (Rupees Twenty Thousands Only) per month.
- ii) Reimbursement of the following at actuals not exceeding:
 - Rs. 15,000/- per month for Car Maintenance expenses for the business of the Company.
 - Rs. 2,000/- per month for 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 Assistane 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 on 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.

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."

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 81, 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) amendment(s) or re-enactment(s) thereof for the time being in force) and in accordance with the existing guidelines, rules and regulations of the Securities and Exchange Board of India ("SEBI") (including the SEBI (Substantial Acquisition of Shares and Takeovers Regulations, 1997) Reserve Bank of India, Government of India (including any statutory amendment(s) modification(s) and of re-enactment(s) thereof, for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and determined by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any Committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof, or modifications to the terms contained therein), if any, of the appropriate authorities, as may be required and/or such terms and conditions, as may be prescribed while granting such consents and approvals and which may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board to offer, issue and allot/reallot for cash on a preferential basis upto 44,19,800 forfeited Equity Shares at a rate of not less than Rs.17.42 per share, being the price as calculated pursuant to the provisions of regulation 76 of SEBI (ICDR) Regulations 2009, to the following persons/ entities belonging to the promoter and non-promoter Group of the Company/others, including friends, associates, employees or any person from the Public as the Board may deem fit and on such terms and conditions as may be deemed appropriate by the Board."

"RESOLVED FURTHER THAT the Relevant Date, for the purpose of determining the issue price under the SEBI (ICDR) Regulations, 2009 for the above-mentioned Reissue of forfeited shares on preferential basis shall be 07-09-2010."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt, that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the issue of the Equity Shares and further to do all such acts, deeds, matters and things to finalize and execute all documents and writings as may be necessary, desirable or expedient as it may deem fit."

"RESOLVED FURTHER THAT the Board is hereby authorized to accept such amendments, modifications, variations and alterations as the Government of India, SEBI, Reserve Bank of India, Financial Institutions, or Stock Exchanges may stipulate in that behalf."



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"RESOLVED FURTHER THAT the shares to be so issued shall rank pari passu in all respects with all the existing Equity Shares of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the said Equity Shares on the Stock Exchanges, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing."

By order of the Board

Place : New Delhi

(S.P. Maken)

Date : 25th August, 2010

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 26-9-2010 to 8-10-2010 (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.

Item No. 5

Mr. S.P. Maken is a Law Graduate and a Company Secretary. He has an overall experience of about 37 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 16 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 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 14th June, 2010.

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

As the members are aware, your Company issued and allotted 5,27,00,000 Equity Shares of Rs.10/- each for cash at par, pursuant to the public issue of shares in the year 1994. As per the terms of issue, a sum of Rs.2.50 per equity share was payable as application money and balance amount was payable on the said shares as Allotment money, the last date for which was 15-06-1994 and failing which interest @ 18% was payable. However, in spite of repeated reminders some of the allottees failed to pay the allotment money together with interest thereon and accordingly, the Board of Directors, in its meeting held on 30-03-2010 and 05-06-2010 forfeited 44,19,800 Equity Shares for non-payment of allotment money.

The Board of Directors had, in its meeting held on 25-08-2010 decided to reissue the said forfeited shares to promoters and non-promoters category on preferential basis, subject to the approval of the members of the Company.

As per clause 23(a) of the Listing Agreement with the stock exchanges, re-issue of the shares in the manner as stipulated above, requires the approval of shareholders in their general meeting. Further, the forfeited shares to be reissued are proposed to be issued at a price of not less than Rs.17.42 per share, as calculated as per the requirements of Regulation 76 of SEBI (ICDR) Regulations 2009.

The shares so reissued shall be subject to lock in as prescribed in Regulation 78 of Regulations.

Your Directors, therefore, recommend the resolution as set out at item no. 6 of the notice for your approval.

Your Directors are interested in the said resolution only to the extent of shares allotted to them or to constituents of Promoter group, including their relatives.



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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighteenth Annual Report together with Audited Accounts for the Year ended 30th June, 2010 (15 months).

FINANCIAL RESULTS

	(2009-2010) (15 months) (Rs. in Lakhs)	(2008-2009) (12 months) (Rs. in Lakhs)
Total Income	15873.03	25117.28
Gross Profit / (Loss) before interest and depreciation	(485.74)	1626.27
Profit / (Loss) before depreciation	(516.31)	1586.76
Depreciation	385.01	278.50
Provision for Fringe Benefits Tax / Wealth Tax	--	3.43
Deferred Tax	(9.41)	(71.35)
Net Profit / (Loss) Transferred to Balance Sheet	(891.91)	1376.18

OPERATIONS & FUTURE OUTLOOK

Despite the period under review being of 15 months as compared to the previous period of 12 months, the Turnover for this year being 158.73 cr. is less by 36.80% than the last year. The reason for this is that the plant continues to be closed since 9-3-2010. From 09-03-2010 to 14-05-2010 the plant remained closed for the non-availability of iron ore and after that the production has not been resumed because of poor selling price of the Sponge Iron in the market. The selling price of sponge iron being not attractive in the current scenario, the operations of the plant continue to be suspended.

The real solution for the viability of operations, therefore, lies in the captive iron ore mine, in order to be sure of the continuous supply of iron ore at the right price, apart from installation of power plant utilizing waste heat of kiln; expansion of production capacity; installation of furnace etc. However, till the time the continuous supply of iron ore is ensured the above said new projects shall have to wait. Full efforts in this direction are being made.

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. R. K. Gambhir and Sh. V. K. Sakhuja, Directors retire by rotation and offer themselves for re-appointment.

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 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 30th June, 2010 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.

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 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, 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 : 25th August, 2010

R.K. GAMBHIR
(Chairman)



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 were being replaced alongwith new ESP.

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

- Provision of spare Inverter for ID Fan Rs.6.00 Lakh

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 of Gas Ducting/ESP	360000 Kwh/annum
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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 (2009-10)

• Earned	:	Nil
• CIF Value of Import of Stores & Spares	:	1467493
• Other Expenses	:	Nil
• Interest on Loans	:	Nil

FORM B: RESEARCH AND DEVELOPMENT (R&D)

1. SPECIFICATION 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.

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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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 30th June, 2010, 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 June, 2010 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
Firm Regn. No. 009062N**

Place : New Delhi
Date : 25th August, 2010

**(R.B.Goel)
Partner
Membership No. 086862**

**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. 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
30.04.2009	✓	✓	✓	✓	X	X	X
31.07.2009	✓	✓	✓	✓	X	X	X
20.08.2009	✓	✓	✓	✓	X	X	✓
25.09.2009	X	✓	X	✓	X	X	X
31.10.2009	✓	✓	✓	✓	X	X	X
30.01.2010	✓	✓	✓	✓	X	X	X
30.03.2010	✓	✓	✓	✓	X	X	X
30.04.2010	✓	✓	✓	✓	X	X	X
05.06.2010	✓	✓	✓	✓	X	X	X
28.06.2010	✓	✓	✓	✓	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. R.K. Gambhir and Sh. V.K. Sakhuja are retiring by rotation and have offered themselves for re-appointment. Sh. R.K. Gambhir is a promoter Director and is one of the first Directors of the Company. He is graduate with about 31 years of experience in Steel and Electronics industry. Sh. V.K. Sakhuja is an Ex-Banker. He has a rich experience of working of industrial companies including steel industry.

- 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	4,50,000	3,94,500	01/04/2009 to 30/06/2010
2.	Mr. Bhaskar Thatikonda	4,50,000	1,42,500	01/04/2009 to 30/06/2010

(ii) Non-Executive Directors

S.No.	Name	Sitting Fee(Rs.)
1.	Mr. N. Awatar	17,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings.
2.	Mr. V.K. Sukhuja	16,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer committee Meetings.