



**OCL IRON & STEEL LIMITED**

**ANNUAL REPORT 2008-09**



# OCL IRON AND STEEL LIMITED

## FOURTH ANNUAL REPORT – 2008-09

### BOARD OF DIRECTORS

Dr. Sheoraj Jain – Chairman  
Shri Raghu Hari Dalmia – Vice Chairman  
Shri K M Poddar  
Shri Surendra Kumar Dalmia  
Shri Badalchand Parakh  
Shri Sabyasachi Mishra  
Shri Yogesh Kapur

**Manager Legal cum Company Secretary**  
Sambit Kumar Sarangi

### Auditors

V Sankar Aiyar & Co.,  
Chartered Accountants,  
New Delhi

### Bankers

State Bank of India  
United Bank of India  
Axis Bank

### Registrar & Share Transfer Agent

CB Management Services Private Limited  
P-22, Bondal Road,  
Kolkata – 700019  
(West Bengal)  
Tel No: +91 33 22806692-94/2280 2486  
Fax No: +91 33 2287 0263  
Email: cbmsl@cal2.vsnl.net.in

### Registered Office:

Vill. Lamloi, PO. Garvana,  
Rajgangpur-770 017.  
Distt: Sundargarh  
Orissa

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## NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Members of OCL Iron and Steel Limited will be held on Wednesday, the 30th day of September, 2009 at the registered office of the Company at Vill Lamloi, PO. Garvana, Rajgangpur – 770 017 (Dist. Sundargarh, Orissa), at 11.00 a.m. to transact the following business:

### Ordinary Business

1. To consider, adopt and approve the Audited Profit & Loss Account for the period ended March 31, 2009, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Sheoraj Jain, who retires, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri K M Poddar, who retires, but being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** Company's Auditor, M/s V Sankar Aiyar & Co., Chartered Accountants, Delhi, who retires, but being eligible, offer themselves for reappointment, be and are hereby re-appointed as Auditors of the Company for to holding the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration of Rs.4,00,000/- (Rupees Four Lakh Only) exclusive of service tax, travelling and other out of pocket expenses.”

### 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 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Yogesh Kapur, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member proposing his candidature for the Office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** supercession to the ordinary resolution passed in the 3rd Annual General Meeting of the Shareholders of the Company and sections 198,269,309,310,311 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act as amended and subject to such permissions, approvals, and consents from various authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals, the Company hereby approves the following revision in the terms and conditions of appointment of Mr. Praveen Chand as Whole-time Director (Marketing & Finance):

### With effect from 01.12.2008:

Special Allowance: increased from Rs. 55,700 to Rs. 65,300 per month

**RESOLVED THAT** except as stated hereinabove, other terms and conditions of appointment as approved by the shareholders at the Extraordinary General Meeting held on 9 September 2008 shall remain unchanged.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are incidental thereto or as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit without further reference to the Company in General Meeting.”

**By order of the Board  
For OCL Iron and Steel limited**

**(Sambit Sarangi)  
Company Secretary**

Place: Rajgangpur  
Date: 31.07.2009

**OCL IRON AND STEEL LIMITED****Notes:**

1. Every Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and the Proxy need not be a Member of the Company. The instrument appointing a Proxy should, however, be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the annual general meeting (AGM) is annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company will remain closed from September 25, 2009 to September 30, 2009 (both days inclusive).
4. M/s CB Management Services (P) Limited, P-22, Bondel Road, Kolkata – 700 019 are the Registrars and Share Transfer Agents of the Company to handle transfers both physical and electronic segments and other share related matters. Shareholders are requested to correspondence with the Registrars at the above address.
5. Members who hold shares in electronic mode are requested to quote their Client Id and DP Id number and those who hold shares in physical form are requested to write their Folio numbers in all correspondence with the Company/Registrars for facilitating quick disposal of the letters.
6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the AGM.
7. The Company has designated an exclusive e-mail ID namely, grievances@oclsteel.in for receiving and addressing investors' grievances.
8. Consequent upon insertion of section 109A in the Companies Act, 1956, nomination facility to shareholders and/or Fixed Deposit Holders, the members holding shares in demat mode are required to submit nomination forms with the Depository and members holding shares in physical mode required to submit their nomination forms to the registrars at Kolkata. Nomination forms are obtained from the Company or its Registrars at Kolkata.
9. As per the requirement of Clause 49 of the Listing Agreement on Corporate Governance following particulars of the new Director and retiring Directors, who are eligible to be re-appointed, are given below:

Details of Directors seeking appointment/reappointment in Fourth Annual General Meeting (In pursuance of Clause 49 of Listing Agreement):

Name of Director	Dr. Sheoraj Jain	Shri K M Poddar	Shri Yogesh Kapur
Date of birth	29.10.1934	20.06.1945	31.05.1961
Qualification	BE Mechanical	B.Com	B.Com
Date of appointment	11.07.2007	11.07.2007	16.05.2009
Expertise in specific functional areas	Manufacturing and Process – Steel & Heavy Engineering	Industrialist	Accounts, Finance & Marketing
List of other Companies in which Directorship held (excluding in foreign companies)	1. Neelachal Ispat Limited 2. Universal Cables Limited 3. OCL India Limited 4. Consteel India Pvt. Ltd.	1. Ceeta Industries Ltd. 2. Techno Eletric & Engineering Co. Ltd. 3. Mindstream Technologies Pvt. Ltd. 4. DOMCO Pvt. Ltd. 5. Hari Machines Limited	<b>NIL</b>
Chairman/Member of Committees the Board of Directors of other Companies in which he is a Director (excluding in foreign Chairman of companies)	1. OCL India Limited 2. Neelachal Ispat Limited 3. Universal Cables Limited	Hari Machines Limited	<b>NIL</b>
Details of shareholding (both own or held by/ for other persons on a beneficial basis), if any, in the Company	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956****Item No. 5**

Shri Yogesh Kapur, who was appointed as Additional Director with effect from May 15, 2009, under section 260 of the Companies Act, 1956 and under Article 48 of the Articles of Association of the Company, holds office upto the date of this Annual General Meeting. The Board of Directors of the Company ("The Board") had, at its meeting held on May 16, 2009, appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") and Article 48 of the Articles of Association of the Company, Shri Yogesh Kapur, as Additional Director of the Company.

In terms of the provisions of Section 260 of the Act, Shri Yogesh Kapur will hold the Office up to the date of this Annual General Meeting.

The Company has received notices in writing from members along with deposit of Rs. 500 proposing the candidatures of Shri Yogesh Kapur for the office of Director of the Company under the provisions of Section 257 of the Act.

Shri Yogesh Kapur is a Commerce Graduate from Guru Nanakdev University, Punjab and have more than 25 years of experience in the field of account, finance, marketing and procurement. His induction as Director on the Board shall be of immense help for the Company.

The Board recommends acceptance of the resolution set out in Item No.5 of the convening notice.

Except Shri Yogesh Kapur no other Director is in any way concerned or interested in the aforesaid Resolution.

**Item No. 6**

The shareholders of the Company at the 3rd Annual General Meeting held on dated 09.09.2008 approved the terms and conditions of appointment of Shri Praveen Chand was appointed as Director (Marketing & Finance) on Whole-time employment basis of the Company for a period of 5 years from 1 December 2007 to 30 November 2012.

Shri Praveen Chand was appointed at a monthly remuneration of Rs.1,35,700/- (Basic salary & Allowances) and perquisites which includes contribution to Provident Fund (PF) @ 12% of basic salary. However Shri Praveen Chand opted for non deduction of Company's Contribution towards PF, which is part of perquisites, from his salary. Accordingly the Company did not deduct or pay contribution towards PF and instead the Company started paying monthly personal allowance. As result of which the allowances fixed at Rs.55,700 have been increased to Rs. 65, 300 by addition of Rs. 9,600 per month as personal allowance. This addition does not affect his fixed total salary.

The Board of Directors recommends the passing of the said resolution.

None of the Directors, except Shri Praveen Chand, is considered to be interested in the above resolution.

**By order of the Board  
For OCL Iron and Steel limited**

**(Sambit Sarangi)  
Company Secretary**

Place: Rajgangpur  
Date: 31.07.2009



**DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2009**

The Directors of your Company are pleased to present their Fourth Annual Report together with the audited accounts of the Company for the year ended 31st March 2009.

**WORKING RESULTS**

(Rupees in Lacs)

	<b>2008-09</b>	<b>2007-08</b>
<b>Operating Profit</b>	<b>2277.68</b>	2979.78
Less : Interest	824.07	938.29
Depreciation	812.81	806.57
<b>Profit before Taxation</b>	<b>640.80</b>	<b>1234.92</b>
Provision for Taxation		
– Current Tax	131.00	140.00
– Deferred Tax	110.31	421.61
– Fringe Benefit Tax	6.00	3.00
Mat credit available or set off	0.00	(140.00)
<b>Profit after taxation</b>	<b>393.49</b>	<b>810.31</b>
Add: Brought forward from previous year	610.48	18.92
	1003.97	829.23
Transfer to Debenture Redemption Reserve	109.38	218.75
<b>Surplus carried to Balance Sheet</b>	<b>894.59</b>	<b>610.48</b>

**DIVIDEND**

The Directors do not recommend dividend for the year under report keeping in view large upcoming expansion plans.

**APPROPRIATIONS**

It is proposed to transfer Rs. 109.38 Lakhs to the debenture Redemption Reserve while Rs. 894.59 Lakhs is proposed to be retained in the Profit and Loss Account and carried to the Balance Sheet.

**OPERATIONS**

During the year the company produced 84393 MT (89900 MT) of sponge iron and sold 21346 Mt including 3154 Mt as export sales (20921 Mt including 5522 Mt as export sales).

During the year under review the Company has produced 70156 Mt of MS billets (71324.52 MT) and sold 68000.700 including 7488 MT as export sales (74755.39 including 31943.31 MT as export sales).

The Company has generated 955.31 lac units of power during the year (985.44 lac units).

Steel, which was considered to be a precious metal in early 1990s, is losing shine. Overcapacity in the industry, falling demand and increasing fragmentation has plagued the growth of this core sector. Recent imposition of anti-dumping and countervailing duties by the US has only added to the woes.

The steel industry is going through one of its worst phases. This is also reflected from the financial performance of steel majors. From the state run steel company to the largest private sector steel behemoth, all companies were hit in recession.

The downturn in the sector globally is a cause of concern for the Indian steel companies in the near term. It is for the first time that the industry has faced the dual impact of a global recession and a sluggish domestic demand. The global

economic recession has also hit hard to sponge iron industry in Orissa. There has been a sharp fall in the demand for sponge iron in both national and international markets leading a 50% fall in prices. If this trend continues, the sponge iron producers fear shut down of their plants.

Your Company is also a victim of current global recession and operating profit of steel as well as sponge iron has drastically reduced due sharp fall in demand of finished steel.

The cause of recession is that, when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less as they fear stocks values will fall and thus stock markets fall on negative sentiment.

THE WORLD-wide recession emanated from the US in 2008 had spread to many other developed countries. Because of globalization and opening-up, it has also spread its toxic tentacles to most of the developing countries. India has also been affected, but not to the extent of many other countries like, Japan, China, Russia, Brazil, and many Euro countries. In India some of the badly affected areas are: Banking, Stock Market, Information Technology, Real Estate, Steel, and Cement.

However to ease the recessionary effect on India, the government has been doing its best in terms of various policies (Monetary and Fiscal) to reduce the ill effects of the on-going recession. The three stimulus packages launched in December 2008, January 2009, and then in February 2009 have given enough boosts to the economy. Besides these steps, we also expect an additional assistance from the World Bank as asked by our Prime Minister during the G- 20 summit.

To come out of this situation Indian steel companies are working towards geographically demarcating markets where each one will operate exclusively without competing to tackle this slowdown.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures from the same.
- b) 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 true and fair view of the state of affairs of the Company, as at the end of the financial year March 31, 2009 and of the Profit & Loss Account of the Company for that period.
- c) 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;
- d) The Directors have prepared the annual accounts on a going concern basis.

#### **CREDIT RATING**

Your Company has been assigned an Issuer Rating of "BBB-stable/P3 (ind)" by CRISIL for its various Bank facilities. The outlook on the rating is 'stable' by the same rating agency. ICRA has assigned "LA+(SO)" rating to the Debentures program of the Company.

#### **SUBSIDIARIES**

The Company has no subsidiary Company.

#### **LABOUR MANAGEMENT RELATIONS**

Relations between the Management and Employees were cordial during the year under review.

#### **DIRECTORS**

During the period under review, Shri Praveen Chand resigned from the Directorship of the Company with effect from 01.12.2008.

Dr. Sheoraj Jain and Shri K M Poddar retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The Board recommends their reappointment.

Brief resume of the Directors proposed to be appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges in India, are provided in the Report of Corporate Governance forming part of the Annual Report.

### **LISTING OF THE COMPANY'S SHARES**

The Company's equity shares continue to be listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

### **DEPOSITS**

During the period under review the Company has not accepted any public deposits within the meaning of under section 58A and 58AA of the Companies Act, 1956.

### **PARTICULARS OF EMPLOYEES**

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with section 217(2A) of the Companies Act, 1956. Hence no information is required to be appended to this report in this regard.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO, ETC.**

Information required under 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 with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in **Annexure-I**, which forms part of this report.

### **CORPORATE GOVERNANCE**

As per Clause No. 49 of the Listing Agreement, report on corporate governance is given in **Annexure-II**, which forms part of this Report.

### **STATUTORY DISCLOSURE**

None of the Directors of the Company are disqualified as per the provisions of Section 274(1) (g) of the Companies Act, 1956. The Directors have made necessary disclosures, as required under the various provisions of the Act and Clause 49 of the Listing Agreement.

### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company has always been giving priority to community development. It has undertaken a number of developmental activities in peripheral areas of Rajgangpur for improving the social and economic condition of tribals. The activities are mainly focused in areas like health, education and drinking water. During the year, your Company has spent Rs.19.75 lakhs on activities in focused areas. Your Company pledges to continue its efforts in this direction more vigorously in future.

### **ENVIRONMENTAL PROTECTION**

Your Directors are deeply conscious of preserving the environment and are making all efforts to prevent any sort of pollution in it. Technical devices whatever required are in place in the plants to prevent/eliminate the adverse impact of industrial effluents/discharges. It has also been the constant endeavor to improve the surroundings in the factory by improving greenery, planting more trees year after year and create awareness about clean water, air and vegetation. The employees are being made conscious of their responsibilities towards protecting the environment and add to the beauty of the surroundings. These responsibilities have been entrusted to senior level managers and are being reviewed by the senior management periodically.

### **AUDITOR'S REPORT**

The Auditor's Report to the Shareholders does not contain any qualification.



**AUDITORS**

M/s V. Sankar Aiyar & Co., Chartered Accountants, the existing Auditors retire at the conclusion of ensuing Annual General Meeting of your Company and are eligible for re-appointment. As required under Section 224 of the Companies Act, 1956, the Company has obtained from them a certificate to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in said section.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the timely support provided by your Company's bankers and financial institutions.

Your Directors acknowledge the dedication and commitment of the employees at all levels. We also take this opportunity to thank all the valued customers, who have appreciated our products and have patronized them.

Your Directors convey their grateful thanks to the Government authorities (Central & states), shareholders, distributors and dealers for their continued assistance, co-operation and patronage.

**For & on Behalf of the Board**

Sd/-  
(S R JAIN)  
**CHAIRMAN**

Place: Kolkata  
Date: 16.05.2009



**ANNEXURE-II TO THE DIRECTOR'S REPORT**

**STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTOR'S REPORT.**

**CONSERVATION OF ENERGY****DRI:****a) Energy Conservation measures taken**

The following measures are continued to be taken for conservation of energy.

- i) Company is conducting regular energy audit to assess the energy losses.
- ii) LT Capacitors are being fixed at washery to reduce energy losses.
- iii) VFDs are being installed for higher capacity motors in Coal Washery.

**b) Additional investment and proposals**

- i) Installation of Variable speed drives for ID fan of ESP 1 & 2.

**c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of grades.**

- i) All the above measures have resulted in reduction of energy losses.
- ii) Monitoring of energy wastages.

**SMS:****a) Energy Conservation measures taken**

The following measures are continued to be taken for conservation of energy.

- i) Power factor is being maintained close to unity.
- ii) Pressure setting of compressor has been reduced as per usage.
- iii) Optimized the operating voltage of transformers by changing the tap position.

**b) Additional investment and proposals**

- i) Lighting energy savers are to be installed to optimize the voltage of lighting feeders.

**c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of grades.**

- i) All the above measures have resulted in saving of energy usage.

**CPP:****a) Energy Conservation measures taken**

The following measures are continued to be taken for conservation of energy.

- i) Energy efficient light sets are being installed around the plant side.
- ii) New high efficiency motor for boiler feed pump is being operated through VFD.
- iii) Flue gas analyzer in boiler inlet and VFD for ABC fan is being installed to increase the steam generation capacity.

**b) Additional investment and proposals**

- i) Company has a proposal to use only energy efficient equipments certified by BEE.
- ii) AFBC ID fan suction damper to be removed from position to avoid pressure drop and energy loss.