

ANNUAL REPORT 2002-2003

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PRAKASH INDUSTRIES LIMITED

PRAKASH INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri V. P. Agarwal	Chairman & Managing Director
Dr. S. L. Keswani	
Shri K. C. Mehra	
Dr. Ram K. Vepa	
Shri Manish Bahl	
Shri S.P. Jakhanwal	(BIFR Nominee)
Shri R.C. Pandey	(IFCI Nominee)
Shri S. Rajagopalan	(LIC Nominee)
Shri G. L. Mohta	Whole - time Director
Shri Vipul Agarwal	Whole - time Director
Shri M.L. Pareek	Whole - time Director

AUDITORS

Chaturvedi & Partners

BANKERS

Punjab National Bank
State Bank of India
Central Bank of India
Allahabad Bank
State Bank of Travancore
State Bank of Patiala
UTI Bank Ltd.
Bank of Punjab Ltd.



REGISTERED OFFICE

15, K.M. Stone Delhi Road,
Hisar-125044 (Haryana)

CORPORATE OFFICE

Business Park,
25 Shivaji Marg,
New Delhi-110 015.

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WORKS

Champa, Distt. Janjgir - Champa (Chhattisgarh)

Raipur (Chhattisgarh)

Pithampur, Distt. Dhar (Madhya Pradesh)

Rayya, Distt. Amritsar (Punjab)

Koira, Distt. Koenjhar (Orissa)

Silvassa (UT of Dadra and Nagar Haveli)

Kashipur, Distt. Udham Singh Nagar (Uttaranchal)

Muppandal (Tamil Nadu)

PRAKASH INDUSTRIES LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the 22nd Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. in Lacs)	
For the year ended 31 st March, 2003	For the year ended 31 st March, 2002	
Profit before Interest & Depreciation	5,954.77	3,720.18
Deductions:		
Interest	8,592.70	12,155.04
Depreciation	4,688.48	5,586.17
Expenses Amortised	35.72	35.72
Wealth Tax Paid	0.47	0.42
	<u>13,317.37</u>	<u>17,777.35</u>
	(-) 7,362.60	(-) 14,056.54
Less : Liabilities of earlier years written back	<u>21,920.37</u>	<u>1,053.95</u>
Net profit for the year	<u>14,557.77</u>	(-) 13,002.59
Add: Brought forward loss	(-) 1,01,774.09	(-) 88,771.50
Less : Transfer from general reserve	9,266.01	-
Carried over to next year	(-) 77,950.31	(-) 1,01,774.09

MANAGEMENT DISCUSSION AND ANALYSIS**a) Industry Structure and Developments**

The performance of the Company to a large extent has always been influenced by the steel market in the country. During the late nineties, the steel industry both domestic and international had been passing through a severe recessionary trend on account of negative growth in demand and prices. Most of the steel companies performed badly during this period and your Company was no exception. However, last year has witnessed a revival in the industry and there is a significant improvement in the demand and prices of the steel products. Steel companies have registered impressive performance during the current year and all indications of a healthy Indian steel industry are falling in place. Your Company has also been a part of this phenomenon and has already begun its stride towards a turnaround. With the upswing witnessed in the demand for the steel sector, the Company is likely to significantly improve the performance in the current financial year also.

b) Opportunities and threats

The Indian economy presently is providing attractive growth opportunities with the projected growth rate of 5-6%. The Company is always willing to take advantage and keeps exploring the new opportunities available to it. The Company also keeps a constant vigil on any possible threat and does not foresee any substantial threat to its business in the near future.

c) Segment Wise/Product Wise Performance/Outlook

The Company is mainly engaged in the manufacturing and selling of Sponge Iron, Steel Ingots/Blooms and finished steel products comprising of heavy structurals and is also generating power. In addition, the Company is also

engaged in manufacturing of B&W Television Picture Tubes, Worsted yarn and Rigid PVC Pipes. The performance of the various products of the Company as well as the future outlook has been dealt with in the foregoing paragraphs.

d) Risks And Concerns

The management of the Company as a routine exercise has been making assessment of any risks and concerns likely to be faced by the company. Any economic slow down in the economy can adversely affect the demand in the steel industry, which may have an adverse effect on the performance of the company. However, in view of the positive growth forecast, the company does not perceive any major risk for the company in the near future.

e) Internal Control System And Their Adequacy

The Company has a proper and adequate system of internal controls to ensure that all its activities are closely monitored, recorded and correctly reported. The Audit Committee of the Board of Directors reviews the adequacy of the internal controls on regular basis. The report of the auditors also mentions that the Company is having a proper and adequate internal control system.

f) Financial performance with respect to operational performance

During the year under review the Company has achieved a turnover of Rs.723.97 Crores as against Rs.597.87 Crores in the previous year, thereby registering an increase of 21% approx. in its turnover as compared to the previous year. The profit before interest and depreciation amounted to Rs.59.55 Crores as against Rs.37.21 Crores in the previous year. After providing for interest and depreciation, the Company has suffered a net loss of Rs.73.63 Crores as against a loss Rs.140.57 Crores in the previous year. However after taking into account the write back of liability of Rs 219.20 Crores relating to previous years, the Company has registered a net profit of Rs.145.58 Crores as against a net loss of Rs.130.03 Crores in the previous year. The much improved results of the year are largely due to various steps taken for cost control, better sales realisation and improved capacity utilisation of the Steel Plant of the Company and also due to write back of liabilities relating to earlier years. The other units of the Company viz; Picture Tubes, PVC Pipes and the Wind Farm except the Worsted Woolen Yarn Division have performed satisfactorily during the year.

g) Human Resources/Industrial Relations

The Company has a team of able and experienced professionals. The total strength of employees and workers, which includes the contract labour stood at 2800. The internal relations between the management, staff and the workers remained cordial throughout the year.

h) Environment And Social Responsibility

The Company is conscious of its obligation towards the Community and has adopted a nearby village for its social and economic upliftment. The Company is also supplying free water to another nearby village and is giving preference to local youth in employment at the factory of the Company. The Company has also made contribution in some of the health and educational institutions near the plant site. Further to improve environment, Company regularly undertakes plantation of trees in the barren lands and has also installed a small brick manufacturing plant to use the fly ash emanating from the plant. The Company has already secured the Quality and Environment Management Certification of ISO-9002 and ISO-14001 and is striving for higher standards of achievement.

PRAKASH INDUSTRIES LIMITED

REFERENCE TO BIFR

The Company was declared a 'Sick Industrial Company' by Hon'ble BIFR in its hearing held on 10th June, 1998. The Company is expected to turn around and is on its way to revival and shall come out of BIFR in due course of time.

FIXED DEPOSITS

The Company has not accepted or renewed any fixed deposits during the year.

DIRECTORS

During the year under review Shri S. Rajagopalan was appointed by LIC as a Nominee Director on the Board pursuant to withdrawal of nomination by LIC of Shri M.M. Mukherjee. Further Shri R.C. Pandey was appointed by IFCI Ltd. as a Nominee Director on the Board pursuant to withdrawal of nomination by IFCI Ltd. of Shri S.K. Mandal.

Your Directors place on record the appreciation for the valuable services and support rendered to the Company by Shri M.M. Mukherjee and Shri S.K. Mandal during their association with the Company.

In accordance with the provisions of the Companies Act, 1956, Dr. S.L. Keswani and Shri K.C. Mehra are liable to retire by rotation at the ensuing Annual General Meeting. Both are eligible for re-appointment and offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed.

- (i) That in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

AUDITORS

M/s. Chaturvedi and Partners, Auditors of the Company, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a Certificate from the above Auditors to the effect that their re-appointment, if made, would be within the limit

prescribed under Section 224 (1B) of the Companies Act, 1956.

As regards Auditors' observations in their Report, the relevant notes on the accounts are self-explanatory.

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name(s) and other particulars of employees are set out in the annexure to the Directors' report.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As 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, a statement showing the information relating to the Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo is enclosed and should be treated as a part of this report.

CORPORATE GOVERNANCE

A certificate from the Auditors of the Company, regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is attached and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to the various departments of Central and State Governments, Financial Institutions, Banks, Customers, Suppliers and Other Creditors for their continued valuable assistance and support.

Your Directors also wish to place on record their sincere appreciation of the dedicated efforts by officers, staff and workers of the company at all levels.

By Order of the Board of Directors

Place : New Delhi
Dated : 28th June, 2003

V.P. Agarwal
Chairman & Managing Director

PRAKASH INDUSTRIES LIMITED**CORPORATE GOVERNANCE REPORT**

Securities and Exchange Board of India (SEBI) has revised Clause - 49 in the Listing Agreement. The status of implementation of the key recommendations of the Securities and Exchange Board of India (SEBI) on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The cardinal principles of philosophy of Prakash Industries Limited on Corporate Governance are: -

- i) Commitment to excellence and customer satisfaction.
- ii) To increase productivity and thereby promote national interest.
- iii) To enhance shareholders value.

In order to achieve the objectives of good corporate governance PIL follows the principles of transparency, healthy competition, promotion of health, safety and welfare of employees, production of quality products and meeting social responsibility.

In nutshell corporate governance by PIL is to enhance the trust of customers, shareholders, suppliers, financiers, employees, government and the society.

2. BOARD OF DIRECTORS**i) Composition of Board**

Presently there are eleven directors in the Board of the Company, out of which seven are non-executive/independent Directors (including two nominee Directors of IFCI & LIC and one Special Director appointed by Hon'ble BIFR).

ii) No. of Board Meetings

Four Board Meetings were held during the year 2002-2003 on 29th June, 2002, 28th September, 2002, 30th November, 2002 and 29th March, 2003.

iii) Details about Board of Directors, other directorships and chairmanships and memberships of committees of other companies:

S.No.	Name of Director	No. of Board Meetings Attended	Last AGM Attended	No of other Directorships and Committee Memberships/Chairmanships		
				Other Directorships	Committee Memberships	Committee Chairmanships
1.	Sh.V.P.Agarwal Chairman and Managing Director	4	No	-	2	1
2.	Dr. S.L. Keswani	4	Yes	10	3	4
3.	Dr. Ram K. Vepa	3	No	-	4	-
4.	Sh.K.C. Mehra	4	No	4	4	5
5.	Sh.Manish Bahl	4	No	2	5	2
6.	Sh.S.K.Mandal (Nominee of IFCI)	2	No	1	5	-
7.	Sh.S.P.Jakhanwal (Special Director of BIFR)	3	No	-	4	-
8*	Sh. S.Rajagopalan (Nominee of LIC)	1**	No	-	-	-
9.	Sh.G.L.Mohta Whole-time Director	4	No	-	-	-
10.	Sh. Vipul Agarwal Whole-time Director	4	No	-	-	-
11.	Sh. M.L.Pareek Whole-time Director	2	No	-	-	-

* LIC has withdrawn the name of Shri M.M. Mukherjee and appointed Shri S. Rajagopalan on the Board w.e.f. 28th September, 2002.

** Board meeting attended by Sh. M.M. Mukherjee.

PRAKASH INDUSTRIES LIMITED

3. AUDIT COMMITTEE

i) Terms, Composition, names of members and chairperson

The Company had constituted an Audit Committee in the year 1990. The Committee supervises and monitors the whole gamut of production, sales, accounts and other financial activities and suggests methods of improvement. Presently there are five independent/non-executive Directors in the committee.

Dr. S.L. Keswani (non-executive Director) is the Chairman of the Audit Committee and Dr. Ram K. Vepa and Shri K. C. Mehra are independent members and Shri S.K. Mandal, nominee of IFCI, Shri S.P. Jakhanwal, Special Director of BIFR are also members of the Audit Committee of the Board of Directors.

ii) No. of Audit Committee Meetings

The Audit Committee met five times during the year 2002-2003 on 29th June, 2002, 30th July, 2002, 27th September 2002, 29th November, 2002 and 31st January, 2003.

S.No.	Name of Director	No. of Meetings Attended
1.	Dr. S.L. Keswani	5
2.	Dr. Ram K. Vepa	5
3.	Sh. K.C. Mehra	5
4.	Sh. S.P. Jakhanwal	5
5.	Sh. S.K. Mandal	5

Audit Committee meetings are also attended by representatives of Internal and Concurrent Auditors. Two Whole-time Directors of the Company and Vice President (Corporate Accounts) are permanent invitees for the meeting. The Company Secretary acts as the Secretary of the Audit Committee.

4. MANAGERIAL REMUNERATION COMMITTEE

i) Terms, Composition, names of members and chairperson

The Company had constituted a remuneration Committee, consisting of independent/non-executive Directors which supervises and approves the remuneration of Managing Director and Whole-time Directors and recommends the same for approval of the Board. The committee also gives guidance in HRD matters.

Dr. S.L. Keswani (non-executive Director) is the Chairman of the Remuneration Committee and Shri K.C. Mehra, Shri Manish Bahl are independent members and Shri S.K. Mandal, nominee of IFCI and Shri S.P. Jakhanwal, Special Director of BIFR are also members of the Remuneration Committee of the Board of Directors.

ii) No. of Remuneration Committee Meetings

The Remuneration Committee met two times during the year 2002-2003 on 18th October, 2002 and 29th March, 2003.

S.No.	Name of Director	No. of Meetings	Meetings attended
1.	Dr. S.L. Keswani	2	2
2.	Sh. K.C. Mehra	2	2
3.	Sh. Manish Bahl	2	2
4.	Sh. S.K. Mandal	2	-
5.	Sh. S.P. Jakhanwal	2	2

The non-executive/independent directors are being paid sitting fees for every meeting of the Board/Committee attended by them.

Details of remuneration paid to Directors for the period from 1st April, 2002 to 31st March, 2003:

(Amount in Rs.)

S.No.	Name of Director	Sitting Fee	Salary	Perquisites	Total
1.	Sh. V.P. Agarwal (Chairman and Managing Director)	Nil	7,12,500	5,01,750	12,14,250
2.	Dr. S.L. Keswani	68,000	Nil	Nil	68,000
3.	Dr. Ram K. Vepa	59,000	Nil	Nil	59,000
4.	Sh. K.C. Mehra	40,000	Nil	Nil	40,000
5.	Sh. Manish Bahl	26,000	Nil	Nil	26,000
6.	Sh. S.K. Mandal (Nominee of IFCI)	*9,000	Nil	Nil	9,000
7.	Sh. S. Rajagopalan (Nominee of LIC)	*5,000	Nil	Nil	5,000
8.	Sh. S.P. Jakhanwal (Special Director of BIFR)	33,000	Nil	Nil	33,000
9.	Sh. G.L. Mohta (Whole time Director)	Nil	3,00,000	1,00,205	4,00,205
10.	Sh. Vipul Agarwal (Whole time Director)	Nil	3,60,000	1,30,200	4,90,200
11.	Sh. M.L. Pareek (Whole time Director)	Nil	2,41,800	1,45,722	3,87,522

* Payment to IFCI / LIC for meetings attended by their nominees.

5. SHARE-CUM-DEBENTURE TRANSFER AND INVESTORS GRIEVANCES COMMITTEE

There is a Share-cum-Debtenture Transfer and Investors' Grievances Committee of the Company consisting of Directors namely, Dr. S.L. Keswani, Dr. Ram K. Vepa and Shri V.P. Agarwal as its members.

Dr. S.L. Keswani (non-executive Director) is the Chairman and Dr. Ram K. Vepa, an independent Director and Shri V.P. Agarwal, Chairman & Managing Director are members of this Committee.

This Committee looks into transfer and transmission of shares/debentures etc., issue of duplicate share certificates, consolidation and subdivision of shares and investors' grievances. The Committee particularly looks into the Investors Grievances and oversees the performance of the in-house Share Department and ensures prompt and efficient investors' services.

All the transfers are effected well within the permissible time limits.

Shri I.D. Sharma, Company Secretary is the Compliance Officer of the Company.

Number of shareholders' complaints received upto 31st March, 2003 : 23

Number of complaints not solved to the satisfaction of the shareholders : Nil

Number of pending shares transfers : Nil

6. GENERAL BODY MEETINGS

Venue, Date and Time of General Meetings held in the last three years are given below:

Year	AGM/EGM	Venue	Date	Time
2001-2002	AGM	Hisar*	24.08.2002	12.30 p.m.
2000-2001	AGM	Do	29.09.2001	12.30 p.m.
2000-2001	EGM	Do	31.01.2001	12.30 p.m.
1999-2000	AGM	Do	30.09.2000	12.00 Noon

*Regd Office of the company : 15 Km. Stone, Delhi Road, Hisar - 125 044 (Haryana)

No special resolution was put through postal ballot in the last AGM and there is no such proposal for this year as there is no such business, which statutorily requires voting through postal ballot in the ensuing AGM.

7. **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.**

There is no such transaction during the year.

8. **Non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years:**

The information as required by Stock Exchanges or SEBI or any other statutory authority relating to capital market is supplied promptly.

9. MEANS OF COMMUNICATIONS

The quarterly/half yearly and annual results of the performance of the Company are published in "Indian Express" (English) and "Dainik Tribune" (Hindi) Chandigarh. The results are promptly sent to the Stock Exchanges for their record and information of all valued members of Stock Exchanges.

PRAKASH INDUSTRIES LIMITED

Both "Management Discussion & Analysis" and "Shareholders Information" forms part of the Annual Report.

10. GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting:

Date & Time : 16th August, 2003 at 12.30 p.m.

Financial Year : 1st April to 31st March

Book Closure : 13th August, 2003 to 16th August, 2003
(Both days inclusive)

Transfer of unclaimed dividend amounts to Investor Education and Protection Fund

During the year under review the Company has paid a sum of Rs.3,71,738/- of unclaimed dividend of the year 1994-95 to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

The Shares of the Company are listed on the following Stock Exchanges:

1. The Delhi Stock Exchange Association Ltd. (Regional)
2. The Stock Exchange, Mumbai
3. National Stock Exchange Association Ltd.
4. The Stock Exchange, Ahmedabad
5. The Bangalore Stock Exchange Association Ltd.
6. The Calcutta Stock Exchange Association Ltd.
7. The Chennai Stock Exchange Association Ltd.

Stock Codes on the above Stock Exchanges are as follows:

Demat ISIN No. in NSDL & CDSL for Equity Shares	:	INE603A01013
Delhi Stock Exchange	-	116002
Mumbai Stock Exchange	-	506022
National Stock Exchange	-	PRAKASH
Ahmedabad Stock Exchange	-	45610
Bangalore Stock Exchange	-	PRAKASH
Calcutta Stock Exchange	-	26003
Chennai Stock Exchange	-	PRAKASHIND