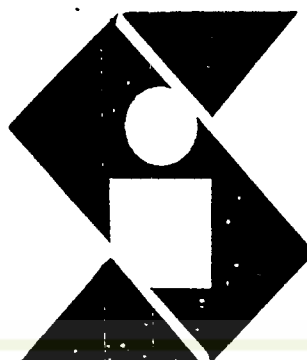


SATHAVAHANA ISPAT LIMITED

MD	<input checked="" type="checkbox"/>		BKG	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DIY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SH	<input checked="" type="checkbox"/>
VE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



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**8th
ANNUAL REPORT
1996-97**

Sathavahana Ispat Limited



BOARD OF DIRECTORS

Sri Ghulam Ghouse	Chairman
Sri S.N.Kaza	Director
Sri M.P. Desai	Director (IDBI Nominee)
Sri A. Naresh Kumar	Director
Sri A.S.Rao	Managing Director

AUDITORS

M/s. P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants

GENERAL MANAGER (FINANCE) & COMPANY SECRETARY

K.V. KRISHNA RAO

BANKERS

State Bank of Hyderabad
Canara Bank
State Bank of Travancore

REGISTERED OFFICE

314, Sri Rama Krishna Towers,
Nagarjuna Nagar, Ameerpet,
Hyderabad - 500 073.

CORPORATE OFFICE & SECRETARIAL DEPARTMENT

505, 5th Floor, Block - 1
Divyashakti Complex,
Ameerpet,
Hyderabad - 500 016.

WORKS

Haresamudram Village
Bommanhal Mandal,
Ananthapur District,
Andhra Pradesh.

Sathavahana Ispat Limited



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of the shareholders of SATHAVAHANA ISPAT LIMITED will be held at Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038 on Tuesday the 30th September, 1997 at 3.30 p.m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1997 alongwith the reports of directors and auditors thereon.
2. To appoint a director in place of Sri. A.Naresh Kumar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Sri S.N. Kaza, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint auditors for the current year under section 224A of the Companies Act, 1956 and fix their remuneration. The retiring auditors M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

To consider and, if thought fit, to pass the following resolution, with or without any modifications as a special resolution :

"RESOLVED that, pursuant to section 224A of the Companies Act, 1956, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, retiring auditors of the Company, be and are hereby reappointed as auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be

decided by the Board of Directors of the Company plus out of pocket expenses".

By order of the Board

Hyderabad
Date : 29.06.1997

(A.S. RAO)
Managing Director.

NOTE :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 26.09.97 TO 30.09.97 (BOTH DAYS INCLUSIVE).
3. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST 7 DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
4. THE SHAREHOLDERS ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY.
5. THE SHAREHOLDERS ARE HEREBY INFORMED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE CORPORATE OFFICE OF THE COMPANY ONLY, AS THE COMPANY HAS NOT ENGAGED THE SERVICES OF ANY SHARE TRANSFER AGENTS.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item 4 :

Under section 224A of the Companies Act, 1956, where, in a Company more than 25% of the subscribed capital is held singly or in combination by the categories of the Companies/Institutions mentioned therein, the appointment of auditors have to be made by a special resolution. As more than 25% of the subscribed capital of the Company is held by Public Financial Institutions, it is proposed to appoint M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, retiring auditors of the Company, as Auditors for the current year by way of special resolution. Hence, the resolution is commended for your approval. None of the directors is concerned or interested in the resolution.

By Order of the Board

Place : HYDERABAD,
Date : 29.06.1997.

(A.S. RAO)
Managing Director

Sathavahana Ispat Limited



DIRECTORS' REPORT

To

The Members,

SATHAVAHANA ISPAT LIMITED,

Your directors have pleasure in presenting the 8th Annual Report together with the audited accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS :

Your directors report the following financial results for the year 1996-97 :

(Rs. in lakhs)			
Sl. No.	Particulars	Year ended 31.03.1997	Year ended 31.03.1996
1.	Sales	5063.87	6230.07
2.	Other Income	210.02	179.95
3.	Operating profit before Interest and Depreciation	881.67	1376.66
4.	Interest	617.67	664.45
5.	Depreciation	252.78	261.16
6.	Profit before tax	11.22	451.05
7.	Provision for taxation	1.45	—
8.	Net profit	9.77	451.05

The net profit for the year 1996-97 is lower due to adverse market conditions and steep fall in prices of pig iron due to excess supplies in the industry and general economic slow down. The Company could achieve profit of Rs. 11.22 lakhs before provision for taxation even during a period in which the industry was passing through a bad phase. As there were only marginal profits your directors do not recommend for payment of any dividend for the year.

OPERATIONS :

The Company has achieved a production of 71423 MTs of pig iron at 60% capacity utilisation. The lower performance was due to various reasons like poor market conditions, and non-availability of iron ore from January, 1997 consequent upon the Order of Supreme Court on mines operations etc. Moreover, the company to remain competitive has carried out some technical improvements which has resulted in temporary shutdowns. The capacity utilisation could not be improved because of these factors and this has resulted in lower production.

MARKET :

The market for Pig Iron continues to be sluggish. The pig iron market turned out to be a buyers market mainly because

of setting up of new units resulting in excess capacity in the industry and sales of pig iron by new integrated steel plants pending execution of their steel complexes. Excess supply of pig iron by Public Sector Units at substantial discounts had also lead to glut in the domestic market. Your Company is trying its best to position itself in the market by designing appropriate market strategies.

FUTURE OUTLOOK :

Your Company has embarked upon a plan to carry out technical improvements to the plant. These improvements have already been completed to a major extent and desired results will be seen in 1997-98. The coke consumption is coming down and quality of finished products has improved. There is better capacity utilisation and production is improving. There is also improvement in the captive power generation. As a result, the efficiency of the operations will go up and performance will improve in the coming years. The demand for pig iron is firming up and the prices are looking up. The Company hopes better performance in the future by the grace of God.

DIRECTORS :

Sri A. Naresh Kumar and Sri S.N. Kaza retire by rotation as directors and are eligible for reappointment. Smt A. Mutya Bai had resigned as director of the Company during the year. Your directors place on record its appreciation of the services rendered by Smt A. Mutya Bai during her tenure.

AUDITORS :

M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire as auditors at this Annual General Meeting and are eligible for reappointment.

EMPLOYEES :

The particulars of employees to be furnished as required under section 217 (2A) of Companies Act, 1956, is given in the Annexure forming part of this report.

STATUTORY INFORMATION :

Information on conservation of energy, technology absorption, foreign exchange earnings and out go required to be disclosed under section 217 (1) (e) of the Companies Act, 1956, is given in the Annexure forming part of this report.

DEPOSITS :

During the year the Company has not accepted any deposits from the public.

Sathavahana Ispat Limited



ACKNOWLEDGEMENTS :

Your directors take this opportunity to express their grateful thanks to Industrial Development Bank of India (IDBI), The Industrial Finance Corporation of India Limited (IFCI), Industrial Credit and Investment Corporation of India Limited (ICICI), State Bank of Hyderabad, Canara Bank, State Bank of Travancore, Shareholders, Central Government, State Government and various customers for their co-operation

and support. The Board also places on record its appreciation of the valuable services rendered by the employees of the Company.

for and on behalf of the Board

Place : Hyderabad,
Date : 29.06.1997.

(GHULAM GHOUSE)
Chairman

ANNEXURE TO DIRECTORS' REPORT

(Statutory information as required under section 217(1)(e) of Companies Act, 1956.)

- a) Conservation of Energy : The Company has setup a captive Power Generation Plant which utilises surplus blast furnace gas. The Power Plant has been functioning satisfactorily.
- b) Technology absorption : The project has been implemented with the technology of KORF group of Germany through Tata Korf Engineering Services Limited.
- c) Foreign exchange earnings and out - go
 - i) Foreign exchange earnings : Nil
 - ii) Foreign exchange out-go :
 - a) C.I.F. value of imports of raw materials : Rs. 1826.58 lakhs
 - b) Travelling expenses : Rs. 2.04 lakhs
 - c) Interest : Rs. 58.13 lakhs
 - d) Dividend : Rs. 0.02 lakhs

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956
read with the Companies (particulars of employees) rules, 1975.

Sl.No.	Name	Designation	Qualification	Age	Experience	Date of Commencement of Employment	Gross Remuneration	Name of last employer	Post held
1.	A.S. RAO	Managing Director	B.Tech (Hons)	55	34 years	01-07-1991	Rs. 3,90,000	SAIL	Addl. Chief (Marketing)

- NOTES :
1. Gross remuneration includes salary, H.R.A and commission.
 2. The conditions of employment are contractual.
 3. Sri A.S. Rao, Managing Director is related to Sri A. Naresh Kumar, Director of the Company.