

12th

**ANNUAL REPORT
2000-01**

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SATHAVAHANA ISPAT LIMITED

SATHAVAHANA ISPAT LIMITED**BOARD OF DIRECTORS:** (as on 30.07.2001)

Shri Ghulam Ghouse	Chairman
Shri A.S.Rao	Executive Vice Chairman
Shri K.Thanu Pillai	Director
Shri Khaja Ruknuddin	Director
Shri A. Naresh Kumar	Managing Director
Shri S.N.Rao	Executive Director (Works)

GENERAL MANAGER (FINANCE) & COMPANY SECRETARY

K.V. Krishna Rao

AUDITORSM/s. P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants**BANKERS:**State Bank of Hyderabad
Canara Bank
The Vysya Bank Limited**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.

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SATHAVAHANA ISPAT LIMITED**NOTICE OF 12th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 12th 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 Saturday, the 29th September, 2001 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, 2001 alongwith the Reports of directors and auditors thereon.
2. To appoint a director in place of Shri Ghulam Ghouse, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri S.N.Rao, 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 service tax and out of pocket expenses".

AS SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED that Shri Khaja Ruknuddin who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 30th July, 2001 and whose term of office expires at this Annual General Meeting as a Director under section 260 of the Companies Act, 1956 read with Article 107 of the Articles of Association of the Company and being proposed by a member under section 257 of the Companies Act, 1956 to be appointed as a Director of the Company, be and is hereby appointed as Director on the Board of Directors of the Company whose period of office is liable to determination by retirement by rotation."

6. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT Pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Articles of Association of the Company be and are hereby altered by inserting the following new Articles 6A and 91A after the existing Article 6 and 91 respectively:

"6A The Company may issue Equity Shares with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed by law and subject to such other terms and conditions as the resolution authorising such issue may prescribe."

"91A Notwithstanding anything contained contrary in the Provisions of the Companies Act, 1956 and the Articles of Association of the Company and in accordance with the Provisions of the Section 192A of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Company do adopt the mode of passing a resolution by the Members of the Company by means of a Postal Ballot in respect of the following matters, instead of transacting such business in a General Meeting of the Company:

- i) Resolutions relating to such business as the Central Government may, by notification declare, from time to time, to be conducted only by Postal Ballot;
- ii) Resolutions in respect of any other business that can be transacted by the Company in General Meeting, as the Company may decide at its option.

The Company shall comply with the procedure as may be prescribed by the Central Government for such Postal Ballot and do follow and comply with the Rules and Regulations and notifications issued from time to time by the Central Government in this regard."

By order of the Board

Hyderabad

Date: 30.07.2001

(A. NARESH KUMAR)

MANAGING DIRECTOR

NOTE:

1. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF THE BUSINESS SETOUT UNDER ITEM 4 TO 6 IS ANNEXED HERETO.
2. 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.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 24.09.2001 TO 29.09.2001 (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON 29.09.2001 FOR ELECTRONIC MODE.
4. THE MEMORANDUM OF ASSOCIATION AND THE ARTICLES OF ASSOCIATION OF THE COMPANY INCORPORATING THE ABOVE ALTERATIONS WILL BE AVAILABLE FOR INSPECTION AT THE CORPORATE OFFICE OF THE COMPANY BETWEEN 11 A.M. AND 3 P.M. ON ANY WORKING DAY.

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5. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
6. THE SHAREHOLDERS ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY.
7. THE SHAREHOLDERS ARE HEREBY REQUESTED 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.
8. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEAR ENDING 31ST MARCH, 1996 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 THE UNCLAIMED DIVIDEND AT THE END OF SEVEN YEARS WILL HAVE TO BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND OF THE CENTRAL GOVERNMENT, WHEREBY THE MEMBERS WILL NOT BE ABLE TO CLAIM THE SAID DIVIDEND FOREVER THEREAFTER.
9. PURSUANT TO THE DIRECTIONS OF THE SEBI THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26TH FEBRUARY, 2001. MEMBERS MAY THEREFORE, CONVERT THEIR EQUITY HOLDINGS OF THE COMPANY INTO DEMAT MODE BY OPENING THE DEMAT ACCOUNTS WITH DEPOSITORY PARTICIPANTS WHO ARE ACTING AS AGENTS TO THE DEPOSITORIES VIZ., NSDL AND CDSL. THE COMPANY HAS BEEN ALLOTTED THE ISIN NO. INE176C01016. HOWEVER, MEMBERS MAY CONTINUE TO HOLD THE SHARES OF THE COMPANY IN PHYSICAL FORM AT THEIR OPTION BUT FOR TRADING THE SAME ON THE STOCK EXCHANGES, CONVERSION INTO DEMAT MODE IS COMPULSORY.
10. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON HYDERABAD, MUMBAI, AHMEDABAD AND MADRAS STOCK EXCHANGES. THE ANNUAL LISTING FEE TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE.

**Explanatory Statement pursuant to
Section 173(2) of the Companies Act, 1956.**

Item No.4: Under section 224A of the Companies Act, 1956, where more than 25% of the subscribed capital in a Company 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.

Item No.5 : Shri Khaja Ruknuddin was appointed as an Additional Director of the Company at the Board Meeting held on 30th July, 2001. As per the Provisions of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, Shri Khaja Ruknuddin retires as Director at this Annual General Meeting. The Company has received a notice U/s 257 of the Companies Act, 1956 from a member proposing the appointment of Shri Khaja Ruknuddin as Director.

Shri Khaja Ruknuddin is a retired Banking professional who had his entire career in State Bank Of India. He held several senior positions in the State Bank of India and retired as its Deputy Managing Director. Later he was appointed as the Chairman of Banking Service Recruitment Board, which position he held from 1992-98. He has to his credit rich and varied experience in Banking and Finance disciplines. The Board recommends that Shri Khaja Ruknuddin be appointed as Director of the Company.

None of the other Directors except Shri Khaja Ruknuddin is interested in the resolution.

Item No.6: In the light of the amendments made to the Companies Act, 1956 by insertion of new section 192A, with regard to adoption of postal ballot by listed public companies and by modification of Section 86 providing for allotment of equity shares with differential voting rights, dividends etc., it is felt necessary to amend the Articles of Association so as to incorporate these new provisions into the Articles of Association of the Company.

The proposed Article 6A enables the Company to issue and allot the equity shares with differential rights as to dividend, voting rights as permitted by law and with such terms and conditions as the Company may decide.

The proposed Article 91A enables the Company to adopt the mode of postal ballot with respect to certain resolutions prescribed by the Central Government which are to be compulsorily transacted by postal ballot and all other resolutions at the option of the Company, instead of transacting them at the General Meeting.

The Board of Directors commends the resolution for your approval.

None of the Directors is interested or concerned in the said resolution.

By order of the Board

Hyderabad
Date: 30.07.2001

(A. NARESH KUMAR)
MANAGING DIRECTOR

SATHAVAHANA ISPAT LIMITED**DIRECTORS' REPORT**

To
The Members,
SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 12th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2000-01:

(Rs. in Lakhs)

SL NO.	Particulars	Year ended 31-03-2001	Year ended 31-03-2000
1.	Sales	8952.24	8536.57
2.	Other Income	62.55	75.40
3.	Operating profit before Interest and Depreciation	777.98	814.18
4.	Interest	161.50	329.26
5.	Depreciation	262.90	264.18
6.	Profit before Tax	353.58	220.74
7.	Income Tax adjustment and provision	46.44	28.25
8.	Net Profit after Tax	307.14	192.49

Your Directors are glad to report that the Company during the year under review has been able to better its profitability despite not so encouraging economic scenario in the Pig Iron industry. The net profit before tax for the year has registered a modest increase, which is Rs. 353.58 Lakhs, as against Rs. 220.74 Lakhs in the last year. The Operating Profit would have been better but for the increase in the import costs of raw material that had a bearing on the input costs. The net profit before tax improved mainly due to lower interest burden.

Keeping in view the long-term and ever increasing working capital fund requirements of business, your Company wishes to continue with the policy of conserving the financial resources and accordingly ploughed back the profits of the year into business. Your Directors report that by following the policy of conservatism, the Company is able to meet all its financial commitments regularly year after year, which not only helped in lowering the interest costs but also improved the financial soundness of the business. With the same object in view, your directors do not recommend any dividend for the year under review.

OPERATIONS:

The operations of the Company during the year under review are normal. Your Company achieved production of 1,10,520 MTs of Pig Iron, as against 1,13,382 MTs in the last year. This constitutes about 92.10% of capacity utilisation of the Plant. Your Company has completed the first phase of technical improvements, which have yielded satisfactory results in the form of improved techno-economic norms. The benefits of these improvements have already started accruing and more benefits are expected to flow in the coming years. Efforts are on to study and identify further areas of improvements.

MARKET:

The market during the year under review has a mixed trend with on and off signs of recovery but without a sustainable growth. The sales realisations have slightly improved but the increase is only in sympathy with the increased input costs. As a result the margins remained thin. The demand for Pig Iron continues to be sluggish due to lower or negligible growth in the end use segment. With the addition of new capacities in the industry and lack of sustained demand growth, the Pig Iron industry continues to be under severe competitive pressures. It is in this scenario, your Company has achieved sales volume of 1,16,179 MTs as against 1,22,545 MTs in the last year. However in value terms the gross sales turnover has marginally increased to Rs.8,952.24 Lakhs as compared to Rs.8,536.57 Lakhs in the last year, registering a growth of about 4.87%. The sales volume achieved during the year is considered to be satisfactory. Your Company has evolved appropriate strategies to remain competitive in the market.

FUTURE OUTLOOK:

The Iron and Steel Industry and also the Pig Iron industry continues to be affected by the sectoral recession consecutively for the fourth year. The recovery signs that were firming up in the first quarter of the year under review have faded soon, belying all hopes of recovery. The Industry globally could not come out of the recession due to slowdown in the economies of western countries. The huge build up inventories in the European Union and the United States has resulted in demand contraction, which in turn affected the Industry worldwide. As a result international prices for Iron and Steel did not improve. On the domestic front the industry continues to be plagued by the excessive supply situation and lack of sustained demand growth coupled with unattractive price trends. The Rupee-Dollar

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parity and rising Met Coke prices, continue to be a cause for concern. Given this subdued scenario, the outlook for the Industry appears to be hazy. In this context the efforts of the Government of India aimed at improving the performance of the Iron and Steel sector are praise worthy. Towards this end, the Government of India, apart from granting exemption from the levy of anti dumping duty on import of Metallurgical Coke, has in the Finance Act 2001, also reduced the basic customs duty from 15% to 5% on these imports. These concessions to some extent may help the Iron and Steel sector. The demand for Iron and Steel is also expected to improve once the proposed Steel Policy of the Government of India is in place. It is earnestly hoped that the Government will introduce the Steel Policy without much loss of time. Your Company will be able to reap the benefits of these concessions and is likely to improve its performance in the coming years.

PROJECT:

As a part of diversification and backward integration, your Company is evaluating the proposal for setting up of a project for manufacture of Metallurgical Coke with Co-generation of Power. The promoters of your Company have done extensive study of the line of activity and are convinced about the technical feasibility and economic viability of the Project. Your Company is in the process of obtaining the required licences and tying up the project finance. The project, if implemented, will add up considerably to the business growth of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement in the preparation of Annual Accounts for the Financial Year 2000-01, your Directors hereby confirm that:

- i) The applicable accounting standards have been followed;
- ii) The accounting policies selected were applied consistently and the judgements and estimates made 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, 2001 and of the Profit of the Company for the year ended on the date;
- iii) Proper and sufficient care has been taken 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; and
- iv) The annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE:

Pursuant to the requirement under section 292A of the Companies Act, 1956 your Directors have vide Board Resolution dated 31st January, 2001 constituted a three member "Audit Committee" of Directors, comprising Sarva Shri Ghulam Ghouse, K. Thanu Pillai and A. Naresh Kumar with such powers, duties and obligations envisaged in the said section and the resolution. The Audit Committee at it's first meeting held on 27th June, 2001 has considered and approved the audited accounts for the financial year ended 31st March, 2001. The audited accounts for the financial year ended 31st March, 2001, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

DIRECTORS:

Shri Ghulam Ghouse and Shri S.N.Rao retire by rotation as Directors and are eligible for reappointment.

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:

Pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975, as amended, your Directors report that there was no employee who was in receipt of remuneration of Rs.12,00,000/- or more per annum if employed through out the year, or Rs. 1,00,000/- or more per month if employed for a part of the year.

DEMATERIALISATION OF EQUITY SHARES:

The Company has entered into Agreements with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares and has been allotted ISIN No. INE 176C01016. As per the SEBI directives, the equity shares of the Company are to be compulsorily traded in dematerialisation form with effect from 26th February, 2001. In view of the significant benefits that accrue on dematerialisation of securities, members may avail the facility.

SATHAVAHANA ISPAT LIMITED**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.

FIXED DEPOSITS:

During the year the Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 from the public.

ACKNOWLEDGMENTS:

Your directors take this opportunity to express their grateful thanks to Industrial Development Bank of India (IDBI), IFCI Limited, ICICI Limited, State Bank of Hyderabad, Canara Bank, The Vysya Bank Limited, Shareholders, Central and State Governments and valued 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: 27.06.2001

(GHULAM GHOUSE)
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

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

- a) Conservation of Energy: The Company has set-up 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 outgo:
 - i) Foreign Exchange earnings: Nil
 - ii) Foreign Exchange outgo:
 - a) C.I.F. value of imports:

Raw materials	Rs. 4495.50 Lakhs
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 - b) Travelling expenses: Rs. 9.55 Lakhs
 - c) Usance interest: Rs. 105.60 Lakhs