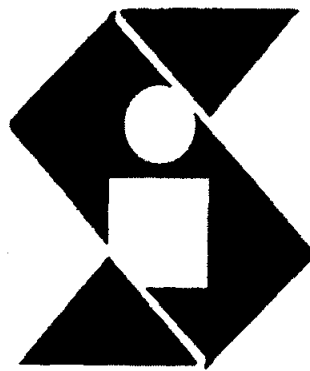


13th

**ANNUAL REPORT
2001-02**



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SATHAVAHANA ISPAT LIMITED

SATHAVAHANA ISPAT LIMITED**BOARD OF DIRECTORS:**

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,
Bommanahal Mandal,
Anantapur District,
Andhra Pradesh.

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SATHAVAHANA ISPAT LIMITED**NOTICE OF 13th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 13th 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 Monday the 30th September, 2002 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, 2002 along with the Reports of directors and auditors thereon.
2. To appoint a director in place of Shri K.Thanu Pillai, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri A.S.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, pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the financial institutions, approval be and is hereby accorded to the appointment of Shri S.N.Rao, Executive Director (Works) for a period of three years effect from 01.02.2002 to 31.01.2005 on the following remuneration.

1. SALARY:

Salary at Rs.31000/- per month, in the scale of Rs.31000-3000-40000.

2. PERQUISITES:

The following perquisites may be allowed in addition to salary.

CATEGORY A:

i. Housing I: The expenditure incurred by the Company on hiring furnished accommodation which will be subject to the following ceiling:

Twenty five percent of the salary over and above ten percent payable by Shri S.N.Rao, Executive Director (Works); or

Housing II: In case the accommodation is owned by the Company ten percent of the salary of the appointee shall be deducted by the Company; or

Housing III: In case no accommodation is provided by the Company a House Rent Allowance subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962 and shall be subject to a ceiling of ten percent of salary of the appointee.

ii. Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

iii. Leave Travel Concession for self and family, once in a year incurred in accordance with any rules specified by the Company.

iv. Club fees subject to a maximum of one club. This will not include admission and life membership fee.

v. Personal accident insurance the premium of which shall not exceed Rs.10,000/- per annum.

CATEGORY B:

i. Contribution to Provident Fund, Superannuation Fund and Annuity Fund as per the rules of the Company to the extent these either singly or put together are not taxable under Income Tax Act, 1961.

ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

iii. Encashment of leave at the end of the tenure.

CATEGORY C:

Provision of car for use on Company's business and telephone at residence. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the Company to Shri S.N.Rao, Executive Director (Works).

3. MINIMUM REMUNERATION:

In the event of losses or inadequacies of profits during the above period, the Executive Director (Works) is entitled to the aforesaid salary and perquisites mentioned above as minimum remuneration.

RESOLVED further that the office of Executive Director (Works) held by Shri S.N.Rao pursuant to this resolution shall not be liable to determination by retirement of Directors 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 the provisions of Section 81 (1A) 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) and enabling provisions of the Memorandum and Articles of Association of the Company and Listing Agreements entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to such terms and conditions as may be determined by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors, for the time being exercising the powers conferred upon by the Board) and in accordance with the guidelines and regulations issued by the Securities and Exchange Board of India (SEBI) and

SATHAVAHANA ISPAT LIMITED

clarifications thereon issued from time to time and subject to approvals, consents, permissions or sanctions, if any, and to the extent necessary or required, as the case may be, of Government of India, Reserve Bank of India, Securities and Exchange Board of India, Financial Institutions, Banks and other appropriate authorities and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions or sanctions which may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board to offer and issue 1,25,00,000 (One crore twenty five lakhs only) equity shares of Rs. 10/- (Rupees ten only) each for cash at par or at such price determined under SEBI guidelines for preferential issues, whichever is higher, to the promoters and their relatives, friends and associates, whether they be resident Indians/non-resident Indians (NRIs) or Overseas Corporate Bodies (OCBs); Bodies Corporate whether registered in India or abroad; Foreign Institutional Investors (FIIs), whether or not they are members of the Company (hereinafter referred to them severally as "the Investors"), on preferential allotment basis through private placement to the extent and in one or more tranches and in the manner as may be decided by the Board in this behalf.

RESOLVED FURTHER THAT the equity shares to be issued and allotted by the Company by virtue of this resolution shall rank pari-passu with the existing equity shares of the Company save and except the Dividend declared, if any, in the year of issue which shall be paid only on pro-rata basis and on such other terms as may be further decided by the Board of Directors at the time of issue of the shares.

RESOLVED FURTHER THAT the Board be and is hereby authorised to decide the terms and conditions including the basis of issue and allotment of shares aforesaid including timing of issue, the amount payable on application/allotment and calls, if any, to be made; to appoint, if necessary any Advisors, Consultants and Managers to the issue, Bankers to the issue; to prescribe necessary forms of application and to dispose of un-subscribed portion of the said issue at its absolute discretion in the best interests of the Company subject to the permissions, sanctions and approvals, if any, required in this regard.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer /issue, allotment and utilisation of the proceeds of issue of the shares towards the Company's Projects and other related business needs.

RESOLVED FURTHER that the Board be and is hereby authorised to accept any modification(s) in terms of issue as may be stipulated by SEBI and/or Stock Exchanges and/or any authorities/Institutions and to take such consequential action including revision/adjustment in the value and quantum thereof to be offered and issued to the Investors or to alter, vary, add or delete or modify the terms and conditions of issue, the said new equity shares including the pricing thereof, subject to the provisions of the Companies Act, 1956 and

SEBI guidelines/regulations, without being required to seek any further consent or approval of the Company in the General Meeting and the decision of the Board in that behalf shall be final and conclusive.

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

"RESOLVED THAT pursuant to section 293(1)(a) and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in supersession of the resolution passed in this behalf at the 6th Annual General Meeting of the Company, and such other approvals as may be necessary and subject to such conditions and modifications as may be prescribed, required or directed in granting any such approvals or consents and which the Board of Directors be and is hereby authorised to accept, consent of the Company be and the same is hereby accorded to the Board of Directors of Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors, for the time being exercising the powers conferred upon by the Board) for mortgaging, and/or charging or second mortgaging and / or second charging by the Board of Directors in any manner whatsoever of all or any of the immovable and movable (save and except book debts) properties of the Company, wheresoever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company in such form and in such manner as the Board of Directors may think fit, together with power to take over the management of the business and concern of the Company in certain events for securing any loans and/or advances already obtained or that may be obtained from any Financial Institutions/Banks/Bodies Corporate/Person or Persons (hereinafter referred to them severally as "The Lenders") and/or to secure any debentures issued and that may be issued together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Lenders in terms of their loan agreements/ heads of agreement/hypothecation agreements/trustees agreements/letters of sanction/memorandum of terms and conditions, entered into/to be entered into by the Company in respect of the said term loans/debentures, subject to the condition that overall borrowings outstanding at any one time for which mortgage and / or charge is created shall not exceed Rs. 150 crores (Rupees one hundred fifty crores only).

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise the documents for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary, proper or expedient for giving effect to this resolution."

By order of the Board

Hyderabad
Date: 30.08.2002

(A. NARESH KUMAR)
MANAGING DIRECTOR

SATHAVAHANA ISPAT LIMITED**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 7 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 25.09.2002 TO 30.09.2002 (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON 30.09.2002 FOR ELECTRONIC MODE.
4. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY AT LEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
5. THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY.
6. 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.
7. 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.
8. 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.

9. 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 S.N.Rao had been appointed as Executive Director (Works) at the 10th Annual General Meeting of the Company held on 30.09.1999 for a period of three years w.e.f. 01.02.1999 to 31.01.2002. Accordingly his tenure expired on 31.01.2002. Shri S.N.Rao is eligible for reappointment.

During last three years of employment as Executive Director (Works), Shri S.N.Rao contributed significantly to the operations of the Company. The Company achieved a good progress in the form of better capacity utilisation and reduction in input costs.

Keeping in view his contribution, the Board of directors of the Company at its meeting held on 31.01.2002 reappointed him as Executive Director (Works) for a further period of three years from 01.02.2002 to 31.01.2005.

Shri S.N.Rao is a Mechanical Engineer by profession and has gained wide experience with several leading companies in India engaged in manufacture of Iron & Steel, Chemicals etc.

The reappointment and remuneration proposed are as per the provisions of the Schedule XIII of the Companies Act, 1956 and requires approval of the members by way of ordinary resolution. It is also subject to the approval of the Financial Institutions.

Shri S.N.Rao is interested in the resolution to the extent of remuneration and perquisites payable to him. No other Director is concerned or interested in the resolution.

Board of Directors commends the resolution for your approval.

SATHAVAHANA ISPAT LIMITED

Item No.6: The shareholders are aware that the iron and steel industry is passing through a very critical phase. The iron and steel industry and in particular the pig iron segment has been witnessing cut-throat competition. As a result the margins have come down and inspite of best efforts desired results could not be achieved.

In the given situation the alternative left is to improve the production and productivity so as to bring about efficiency in the operations with latest technologies and reduce the cost of production.

With the success achieved so far and the prospects of iron and steel industry now looking up, Company plans to embark on modernisation and expansion of the operations with objectives of (i)introducing latest technologies in the operations (ii)achieving substantial increase in production (iii)achieving cost reduction in production. These objectives could be achieved only with the modern technology instead of the technology employed by the Company initially, which has now become old. The proposed modernisation and expansion not only improves the efficiency of the existing operations and gives competitive edge over others but also facilitates backward and forward integration.

As the investment in the proposed modernisation and expansion is significant, it is proposed to raise the equity capital to part finance the project and maintain acceptable debt-equity. In view of the subdued and passive financial markets, it would be difficult to raise the funds from the capital markets either by rights or primary issue. The promoters therefore, have shouldered the responsibility of organising the funds to meet the equity requirements. Accordingly, it is proposed to raise the equity capital by issue of 1,25,00,000 further equity shares of Rs. 10/- each for cash at par or at such price determined under SEBI guidelines for preferential issues, whichever is higher and as the Board may decide through private placement on a preferential allotment basis to the investors viz., promoters and their relatives, friends and associates, whether they be resident Indians/non-resident Indians (NRIs) or Overseas Corporate Bodies (OCBs); Bodies Corporate whether registered in India or abroad; Foreign Institutional Investors (FIIs). The proposed issue of equity shares is within the present authorised share capital of the Company.

Consent of the members of the Company is being sought by a special resolution pursuant to the provisions of section 81(1A) and other applicable provisions of the Companies Act, 1956 which inter alia provide that when it is proposed to increase the subscribed capital of the company by the allotment of further shares to any other persons other than the existing shareholders such offering shall have to be approved by a special resolution passed in the General Meeting of the Company. Keeping in view the adverse market conditions, the proposed resolution is coming up for your approval as an enabling resolution giving adequate flexibility and discretion to the Board to finalise the terms of issue and implement the resolution. The resolution enables the Board to issue and allot shares to the investors on the terms and conditions as the circumstances may warrant at the time of issue of shares.

DISCLOSURES UNDER SEBI (SUBSTANTIAL ACQUISITION OF SHARES & TAKEOVERS) REGULATIONS 1997:

I. Allottees Details:

(a) **Name of the Allottees and its relation, if any, with the existing promoters or persons in control over the Company. Names of persons deemed to be acting in concert with the allottee (all referred as "Acquirer" hereinafter) who will be holding more than 5% in the Company. In case, the allottees is a company, identify its promoters or persons in control over the Company and the group they belong to, if any:** Shri A. Ashok Kumar, Non Resident Indian, a relative of the promoters of the Company and/or overseas corporate bodies in which he has substantial interest, will be subscribing 80,00,000 equity shares. Shri A.S.Rao, promoter of the company and/or his relatives will be subscribing 10,00,000 equity shares. The balance of 35,00,000 equity shares will be subscribed by other Investors.

II. Acquisition details:

(a) **No. and % of shares proposed to be allotted pursuant to special resolution under section 81(1A)-preferential allotment :** Pursuant to the special resolution a total of 1,25,00,000 equity shares constituting 32.22% of expanded capital are proposed to be allotted by preferential allotment.

(b) **No. and % of shares proposed to be allotted to each of the allottees mentioned at (I) above:**

Category	No. of shares	%
1. Shri A. Ashok Kumar and/or overseas corporate bodies in which he has substantial interest	80,00,000	20.62
2. Shri A.S.Rao and/or his relatives	10,00,000	2.58
3. Other Investors	35,00,000	9.02

(c) **Price at which allotment is proposed:** The issue price of the proposed offer shall be calculated in accordance with the guidelines for Pricing of the issue under the SEBI guidelines for preferential issues. The relevant date on the basis of which the price of the resultant shares shall be calculated is 30th August, 2002 i.e., 30 days prior to the date of the ensuing Annual General Meeting.

(d) **Purpose of and reason of the said allotment:** The purpose of issue is to part finance the cost of Modernisation and Expansion Project and other related business needs.

(e) **Consequential changes, if any, in Board of Directors:** The proposed issue of equity shares on preferential allotment basis would not result in any change in the composition of Board of Directors.

SATHAVAHANA ISPAT LIMITED**(f) Consequential changes, if any, in the share-holding pattern of the Company:**

Category	Pre-allotment in terms of shares *		Post-allotment in terms of shares	
	Nos	%	Nos	%
1 Promoter Group				
(a) Acquirers	1794110	6.82	9794110	25.24
(b) Others	5131600	19.51	6131600	15.81
(c) Total for promoter group	6925710	26.33	15925710	41.05
2 Acquirers	-	-	3500000	9.02
3 MFs/FIs/Banks	6554290	24.92	6554290	16.89
4 Public	12820000	48.75	12820000	33.04
Total Paid-up equity capital of the Company	26300000	100.00	38800000	100.00

* Pre-allotment shareholding pattern is as on 26.08.2002

(g) **Consequential changes, if any, in voting rights:** The voting rights would change in tandem with shareholding pattern in the expanded capital of the Company.

(h) **Whether the said allotment would result in change in control over the Company:** There will not be any change in the control over the Company on issue of equity shares by preferential allotment.

DISCLOSURES UNDER SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000 FOR PREFERENTIAL ISSUES:

I. **The objects of the issue through preferential offer:** The objects of issue is to part finance the cost of Modernisation and Expansion Project and other related business needs.

II. **Intention of promoters/directors/key management persons to subscribe to the offer:** Shri A. Ashok Kumar, Non Resident Indian, a relative of the promoters of the Company and/or overseas corporate bodies in which he has substantial interest, will be subscribing 80,00,000 equity shares. Shri A.S.Rao, promoter of the company and/or his relatives will be subscribing 10,00,000 equity shares.

III. **Shareholding pattern before and after the offer:** Please refer to Item No. II(f) of Disclosures under SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997 given above.

IV. **Proposed time within which the allotment shall be complete:** The allotment of the proposed offer shall be completed within a period of three months from the date of passing of the resolution in the ensuing Annual General Meeting.

V. **The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:**

Identity	% of post preferential issue
Promoters group	41.05
Other investors	9.02

VI. **Pricing of the issue and the relevant date on the basis of which price of the equity shares shall be calculated:**

The issue price of the proposed offer shall be calculated in accordance with the guidelines for Pricing of the issue under the SEBI guidelines for preferential issues. The relevant date on the basis of which the price of the resultant shares shall

be calculated is 30th August, 2002 i.e., 30 days prior to the date of the ensuing Annual General Meeting.

VII. **Non-transferability:** The proposed issue of equity shares on preferential allotment basis to promoters and promoters' group in not more than 20% of total post-issue capital of the Company shall be subject to lock-in of three years from the date of their allotment. Balance of 12.22% of the proposed issue of equity shares shall be subject to lock-in of one year from the date of allotment.

VIII. **Certificate from Auditors:** Certificate from Auditors of the Company confirming that the proposed issue of equity shares on preferential allotment basis is in accordance with the requirements contained in the SEBI Guidelines for preferential issues shall be laid for inspection of members at the ensuing Annual General Meeting.

IX. **Other guidelines:** Other guidelines issued by SEBI for preferential issues to the extent relevant to this proposed issue shall be complied with.

The equity shares proposed to be issued by preferential allotment shall rank pari-passu with the existing equity shares of the Company except dividend declared, if any, for the year of issue which shall be paid pro-rata. The equity shares issued by preferential allotment will be listed on the stock exchanges where the existing shares are listed. The equity shares so issued are transferable inter se amongst the promoters and investors during the lock-in period.

Your Board of Directors commends the resolution for your approval as a special resolution.

Shri A.S.Rao and Shri A. Naresh Kumar, the promoter directors of the Company being relatives of Shri A. Ashok Kumar and other allottees of promoters' group are interested in the resolution to the extent of equity shares being offered to and subscribed by themselves or relatives or associate concerns. None of the other Directors is concerned or interested in the resolution.

Item No.7: Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public limited company, shall not without the consent of the members in a General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

The members of the Company at the 6th Annual General Meeting held on 30.09.1995 had authorised the Board of Directors of the Company to create inter alia a mortgage and / or charge on the immovable / movable properties of the Company.

In view of the Company's proposed modernisation and expansion plans, as discussed in Item No.6, the Company may have to create a mortgage and / or charge including a second mortgage and / or second charge on the immovable / movable (save and except book debts) properties of the Company. It is therefore, considered necessary to approach the members of the Company to revise the aforesaid authorisation with a limit up to Rs.150 Crores (Rupees one hundred fifty crores only).

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: 30.08.2002

(A. NARESH KUMAR)
MANAGING DIRECTOR

SATHAVAHANA ISPAT LIMITED**DIRECTORS' REPORT**

To
The Members,
SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 13th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2001-02:
(Rs. in Lakhs)

Sl. No.	Particulars	Year ended 31-03-2002	Year ended 31-03-2001
1.	Sales	9356.67	8952.24
2.	Other Income	13.25	62.55
3.	Operating profit before Interest and Depreciation	753.52	777.98
4.	Interest	33.61	161.50
5.	Depreciation	274.56	262.90
6.	Profit before Tax	445.35	353.58
7.	Income Tax adjustment and provision	188.90	46.44
8.	Net Profit after Tax	256.45	307.14

During the year under review the sales grew marginally from Rs.8952.24 Lakhs to Rs.9356.67 Lakhs. The profit before tax has gone up to Rs.445.35 Lakhs as against Rs.353.58 Lakhs in the previous year. The improved profits were mainly due to lower interest burden. Operating profits could not be improved due to lower sales realisations and pressure on margins. The net profit after tax has come down to Rs.256.45 Lakhs as against Rs.307.14 Lakhs in the last year because of provision for deferred tax amounting to Rs.150.75 Lakhs (with a corresponding credit to Deferred Tax Liability account) by following mandatory Accounting Standard 22 issued by the Institute of Chartered Accountants of India. But for the provision the net profit after tax would have been higher by Rs.150.75 Lakhs.

As stated in the notice to the shareholders, your Company is planning to take up a major modernisation and expansion programme including relining of blast furnace. The relining in the blast furnace out lived its life by more than a year from the industry norm of about three and a half years to four years and is now due for replacement. Company also plans to bring in latest technologies in the operations and wishes to expand the capacities. As these plans involve significant capital outlays, Company wishes to conserve the financial resources. The promoters are also organising sufficient funds for this plans. Keeping in view the long-term fund requirements of business, your directors wish to plough back the profits and accordingly do not recommend any dividend for the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors hereby confirm that:

- The applicable accounting standards have been followed in the preparation of Annual Accounts for the Financial Year 2001-02;
- 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 2002 and of the Profit of the Company for the year ended on the date;
- 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
- The annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE:

The Audit Committee constituted in January, 2001 has been re-constituted at the Board meeting held on 29.09.2001 by nominating Shri Khaja Ruknuddin, an independent non-executive director, in place of Shri A. Naresh Kumar, Managing Director. The re-constituted Audit Committee has thus only independent non-executive directors as its members. The Audit Committee at its meeting held on 27th June 2002 has considered and approved the audited accounts for the financial year ended 31st March 2002. The audited accounts for the financial year ended 31st March 2002, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the listing agreement entered into by the Company with the stock exchanges where the shares of the Company are listed, Company is required to implement the code of Corporate Governance effective from the financial year under review. Accordingly, the Company has implemented the code of Corporate Governance during the year and reports on Corporate Governance and Management Discussion and Analysis together with Auditors' Report on compliance of Corporate Governance are attached to this report and forms part of the annual report.

PROJECT:

The proposal for setting up of project for manufacture of Metallurgical Coke with Co-generation of power is still in evaluating stage. The Company is yet to obtain the Power Purchase Agreement (PPA) from the Karnataka Power Transmission Corporation Limited (KPTCL) for which the negotiations are going on. The prospective lenders have indicated that unless the PPA is in place they cannot take up the proposal for appraisal and project finance. Effort is being made to secure the PPA from the KPTCL.

MODERNISATION AND EXPANSION:

Your Company made a modest beginning with technical improvements during the last four years and achieved satisfactory results which could be seen in the sustained financial performance of the Company, distinct from the other players in the region who suffered heavily.

SATHAVAHANA ISPAT LIMITED

With the success achieved so far and the prospects of iron and steel industry now looking up, Company plans to embark on modernisation and expansion of the operations with objectives of (i) introducing latest technologies in the operations (ii) achieving substantial increase in production (iii) achieving cost reduction in production. These objectives could be achieved only with the modern technology instead of the technology employed by the Company initially, which has now become old. The proposed modernisation and expansion not only improves the efficiency of the existing operations and gives competitive edge over others but also facilitates backward and forward integration. The proposed modernisation and expansion project, barring unforeseen circumstances, would be implemented within a period of about one and a half year.

DIRECTORS:

Shri K.Thanu Pillai and Shri A.S.Rao retire by rotation as directors and are eligible for reappointment.

Shri S.N.Rao has been reappointed as Executive Director(Works) during the year and approval of the members for the re-appointment is being sought at the ensuing annual general meeting.

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.24,00,000/- or more per annum if employed throughout the year, or Rs. 2,00,000/- or more per month if employed for a part of the year.

DEMATERIALISATION OF EQUITY SHARES:

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares are in force and the Company's shares are in dematerialised mode under 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.

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 Bank 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: 30.08.2002

(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. 3453.65 Lakhs
b) Travelling expenses:	Rs. 5.01 Lakhs
c) Usance interest:	Rs. 67.74 Lakhs