

SATHAVAHANA ISPAT LIMITED



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***14th ANNUAL REPORT
2002-03***

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

AUDITORS

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

BANKERS:

State Bank of Hyderabad
Canara Bank
ING 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.

SHARE TRANSFER AGENTS

M/s.Ikon Visions Private Limited
33, Sanali Heavens, Ameerpet,
Hyderabad - 500 073.

WORKS

Haresamudram Village,
Bommanahal Mandal,
Ananthapur District,
Andhra Pradesh.

CONTENTS	PAGE NO.
1. Notice of 14th Annual General Meeting	3 - 5
2. Directors' Report	6-7
3. Report on Corporate Governance	7 -10
4. Management Discussion & Analysis	11 -13
5. Auditors' Report	14 -15
6. Balance Sheet	16
7. Profit and Loss Account	17
8. Cash Flow Statement	18
9. Schedules to Balance Sheet	19 - 22
10. Schedules to Profit and Loss Account	22 - 23
11. Notes to Accounts	24 - 28
12. Balance Sheet Abstract and Companies General Business Profile	28
13. ECS Mandate	29
14. Form for Furnishing Bank Particulars	30
15. Attendance Slip/Proxy Form	31



NOTICE OF 14th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 14th 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, 2003 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, 2003 along with the Reports of directors and auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a director in place of Shri Ghulam Ghouse, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Khaja Ruknuddin, who retires by rotation and being eligible, offers himself for reappointment.
5. 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 an **ORDINARY 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:

6. Voluntary Delisting of shares on Ahmedabad and Madras Stock Exchanges:

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

“RESOLVED that in pursuance of the provisions of Securities and Exchange Board of India (delisting of securities) Guidelines, 2003 and also Guidelines / Notifications issued or to be issued by SEBI from time to time and subject to applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and provisions of the 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 subject to approvals, consents, permissions, if

any, and to the extent necessary or required, as the case may be of any 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 delist company's equity shares as may in its absolute discretion deem fit without being required to seek any further approval of the members, from The Stock Exchange Ahmedabad, at Ahmedabad (ASE) and The Madras Stock Exchange Limited, at Chennai (MSE) (hereinafter called the 'delisting exchanges').”

“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 delisting of shares from delisting exchanges.”

By order of the Board

Hyderabad
Date: 31.07.2003

(A. NARESH KUMAR)
MANAGING DIRECTOR

NOTES:

1. THE RELATIVE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF THE BUSINESS SETOUT UNDER ITEM 6 IS ANNEXED HERETO AND FORMS PART OF THE NOTICE. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 3 AND 4 ABOVE ARE ALSO ANNEXED.
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. MEMBER INTENDING TO APPOINT A PROXY SHOULD COMPLETE THE PROXY FORM FURNISHED ELSEWHERE AND DEPOSIT IT AT THE COMPANY'S CORPORATE OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 16.09.2003 TO 30.09.2003 (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON 30.09.2003 FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR DIVIDEND, IF APPROVED, ON EQUITY SHARES.
4. THE DIVIDEND ON EQUITY SHARES FOR THE YEAR 2002-03 RECOMMENDED BY THE BOARD OF DIRECTORS, IF DECLARED AT THE GENERAL MEETING, WILL BE PAYABLE ON OR AFTER 1ST OCTOBER, 2003, TO THOSE MEMBERS WHOSE NAMES APPEAR ON THE COMPANY'S REGISTER OF MEMBERS AS ON 30TH SEPTEMBER, 2003.
5. MEMBERS MAY PLEASE NOTE THAT THE DIVIDEND WARRANTS WILL BE MADE PAYABLE AT PAR AT THE DESIGNATED



BRANCHES OF THE BANK PRINTED ON REVERSE OF THE DIVIDEND WARRANT FOR AN INITIAL PERIOD OF SIX MONTHS ONLY. THEREAFTER THE DIVIDEND WARRANTS WILL BE REQUIRED TO BE REVALIDATED BY THE COMPANY AND WILL BE MADE PAYABLE ONLY AT CONTROLLING BRANCH OF THE BANK. MEMBERS ARE THEREFORE ADVISED TO ENCASH DIVIDEND WARRANTS WITHIN THE INITIAL VALIDITY PERIOD OF SIX MONTHS.

MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE REQUESTED TO INTIMATE TO THE COMPANY ON OR BEFORE 15TH SEPTEMBER 2003 THE BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANTS. (IN THE FORM FURNISHED ELSEWHERE IN THIS REPORT) DULY SIGNED BY THE SOLE/FIRST HOLDER.

IN CASE OF SHARE HOLDINGS IN ELECTRONIC FORM, THE BANK ACCOUNT DETAILS OF BENEFICIARIES AS FURNISHED BY THE DEPOSITORIES TO THE COMPANY WILL BE PRINTED ON THEIR DIVIDEND WARRANTS AS PER THE APPLICABLE REGULATIONS OF THE DEPOSITORIES. NO REQUEST SHOULD BE LODGED WITH THE COMPANY / SHARE TRANSFER AGENTS FOR DELETION / CHANGE IN SUCH BANK DETAILS. BANK DETAILS AVAILABLE IN PHYSICAL HOLDING WILL NOT BE AUTOMATICALLY TRANSFERRED TO ELECTRONIC MODE AT THE TIME OF DEMATERIALISATION OF SHARES. MEMBERS HOLDING SHARES IN ELECTRONIC MODE SHOULD ARRANGE TO CHANGE THE BANK DETAILS, IF REQUIRED, WELL BEFORE THE BOOK CLOSURE DATE BY CONTACTING THEIR DEPOSITORY PARTICIPANT.

THE COMPANY PROVIDES THE FACILITY OF ELECTRONIC CLEARING SERVICE (ECS) FACILITY TO ALL SHAREHOLDERS HOLDING SHARES IN ELECTRONIC AND PHYSICAL MODE FOR THE PAYMENT OF DIVIDEND DECLARED AT THE MEETING, AT THE FOLLOWING CENTERS:

AHMEDABAD, BANGALORE, CHENNAI, DELHI, HYDERABAD, JAIPUR, KOLKATA, MUMBAI, NAGPUR AND TRIVANDRUM.

MEMBERS HOLDING SHARES IN PHYSICAL FORM AND WISHING TO AVAIL THE FACILITY SHOULD LODGE WITH SHARE TRANSFER AGENT, THE ECS MANDATE (COPY OF WHICH IS FURNISHED ELSEWHERE IN THIS REPORT) UNDER SOLE / FIRST HOLDER'S SIGNATURE ON OR BEFORE 15TH SEPTEMBER, 2003. COPIES OF ECS MANDATE CAN ALSO BE OBTAINED FROM THE SHARE TRANSFER AGENT.

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. ACCORDINGLY THE UNCLAIMED DIVIDEND FOR THE YEAR ENDED 31ST MARCH, 1996 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29TH SEPTEMBER 2003 AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND

PROTECTION FUND ON OR BEFORE 28TH OCTOBER 2003.

9. 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.
10. THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S IKON VISIONS PRIVATE LIMITED, 33 SANALI HEAVENS, AMEERPET, HYDERABAD - 500 073.
11. THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/s. IKON VISIONS PRIVATE LIMITED, 33, SANALI HEAVENS, AMEERPET, HYDERABAD - 500 073 OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5TH FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD - 500 016.
12. 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.
13. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING.
14. MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 109A OF THE COMPANIES ACT, 1956 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON REQUEST TO THE SHARE TRANSFER AGENTS M/S. IKON VISIONS PVT LTD.
15. 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.6: The Company's Equity Shares at present are listed on the following Stock Exchanges:

1. The Hyderabad Stock Exchange Limited (HSE), Hyderabad
2. The Stock Exchange Mumbai (BSE), Mumbai
3. The Madras Stock Exchange Limited (MSE), Chennai
4. The Stock Exchange Ahmedabad (ASE), Ahmedabad.

During the last couple of years the trading volumes of the Company's shares on ASE and MSE (hereinafter called delisting exchanges) were negligible. Moreover, the Company's shares are to be compulsorily traded in Demat mode effective from 26.02.2001 vide Securities and Exchange Board of India's (SEBI) Circular No.SMDRP/Policy/Cir-50/2000 dated 3.11.2000.

As the BSE is providing nation wide trading terminals for the trading of Company's securities in demat mode, no trading is routed by the investors through the above delisting exchanges. Therefore, the listing fee paid to these delisting exchanges is not commensurate with the benefit derived both by the investors and the Company.

The SEBI vide its Circular No. SMD/Policy/Cir-7 dated 17th February, 2003 inter alia permitted for voluntary delisting of securities by companies. In pursuance of Clause 5.2 of the said delisting of securities guidelines, the Company need not give an exit opportunity to the shareholders of the Company in the jurisdiction of delisting exchanges, provided the shares of the Company are listed on a Stock Exchange having nation wide trading terminals. As the Company's shares are quoted on BSE, which is having nation wide trading terminals, the Company is eligible for the voluntary delisting of shares on the above delisting exchanges.

Accordingly, the Board of Directors at its meeting held on 31st July, 2003 considered for delisting of the shares of the Company on the above delisting exchanges viz., ASE, MSE subject to approval of the shareholders in the Annual General Meeting by a special resolution.

The proposed resolution is an enabling resolution with discretion to the Board to carry out the delisting of the shares from the delisting exchanges.

As the resolution is in the interests of the Company, Directors commend the resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING
RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

(in pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri Ghulam Ghouse	Shri Khaja Ruknuddin
Date of Birth	15.07.1924	03.01.1933
Date of Appointment	29.06.1991	30.07.2001
Qualifications	M.A., B.Sc., CAIIB	B.A., LL.B., CAIIB
Expertise in specific functional areas	Central Banking, Development Banking, Financial Management, Credit Planning and Corporate Management.	Commercial Banking, Human Resources and Financial Management.
List of Companies in which outside directorship held as on 31st March, 2003	Nil	Babuji Estates Pvt. Ltd.
Chairman / Member of the Committees of the Board of the other Companies in which he is a director as on 31st March, 2003	NIL	NIL

By order of the Board

Hyderabad
Date: 31.07.2003

(A. NARESH KUMAR)
MANAGING DIRECTOR

DIRECTORS' REPORT

To
The Members,
SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 14th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2002-03:

(Rs. in Lakhs)

SL NO.	Particulars	Year ended 31-03-2003	Year ended 31-03-2002
1.	Sales	8309.03	9356.67
2.	Other Income	103.89	13.25
3.	Operating profit before Interest and Depreciation	761.47	821.25
4.	Interest	(34.14)	101.34
5.	Depreciation	262.26	274.56
6.	Profit before Tax	533.35	445.35
7.	Income Tax adjustment and provision	112.35	188.90
8.	Net Profit after Tax	421.00	256.45
9.	Add: Profit brought forward from last year	862.12	1237.79
10.	Less: Transitional Deferred Tax liability as at the beginning of the year	—	632.12
11.	Available for appropriation	1283.12	862.12
12.	Less: Proposed Dividend	157.79	—
13.	Less: Provision for Corporate Dividend Tax	20.22	—
14.	Balance carried forward	1105.11	862.12

During the year under review, the sales were lower as the plant was under shut down for a period of three months for carrying out modernisation and other major repairs. The gross profit is after charging of book deficit on assets discarded amounting to Rs.297.36 Lakhs, which arose due to modernisation. Net profit before tax improved from Rs.445.35 Lakhs to Rs.533.36 Lakhs and net profit after tax improved from Rs.256.45 Lakhs to Rs.421.00 Lakhs.

DIVIDEND:

As stated elsewhere in this report, your company is in the process of implementing modernisation and expansion programme. With a view to meet the fund requirement of this programme, your directors wish to plough back the profits. But keeping in view the long term interests of shareholders, who have patiently extended their co-operation during the lean periods, the Board of Directors recommended a dividend of 6% prorata, amounting to Rs.157.79 Lakhs for the financial year, ended 31st March, 2003, which is subject to approval of the banks / financial institutions and members in general meeting. The applicable Corporate Dividend Tax amounting to Rs.20.22 Lakhs will be paid by the Company.

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 2002-03;
- 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 2003 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 at it's meeting held on 30th June 2003 has considered and approved the audited accounts for the financial year ended 31st March 2003. The audited accounts for the financial year ended 31st March 2003, 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 comply with the Code of Corporate Governance for the financial year under review. Accordingly, the 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's effort to secure the Power Purchase Agreement (PPA) from the Karnataka Power Transmission Corporation Limited (KPTCL) could not materialise. The prospective lenders have indicated that unless the PPA is in place they cannot take up the proposal for appraisal and project finance. The project is therefore kept in abeyance.

MODERNISATION AND EXPANSION:

Your Company has since firmed up the modernisation and expansion programme. Due to paucity of funds, the programme has been split in to three phases. Company has since completed the Phase I of modernisation which included setting up of a furnace of 350 M³ capacity by replacing the old furnace of 250 M³ capacity, modernisation of other essential equipment which are in line with the technology change from that of Tata-Korf to China Shougang;



The plant was under shutdown during the period 11th October, 2002 to 11th January, 2003 for carrying out these works. The plant was re-commissioned and operations have since normalised. The full benefits of these modernisation could be achieved once the second and third phase of modernisation involving addition of some auxiliary equipment and new power plant are commissioned. Efforts are on to tie up the required finances to complete the second and third phase of modernisation and expansion.

DIRECTORS:

Shri Ghulam Ghouse and Shri Khaja Ruknuddin retire by rotation as directors at the ensuing Annual General Meeting 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.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, ING Vysya Bank Limited, Shareholders, Central and State Governments and valued suppliers and 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

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. During the year Company has replaced the Tata-Korf technology with China Shougang technology and partially absorbed the new technology. China Shougang Technology will be fully absorbed during implementation of second and third phases of modernisation.
- c) Foreign Exchange earnings and outgo:

i) Foreign Exchange earnings:	Nil
ii) Foreign Exchange outgo:	
a) C.I.F. value of imports:	Rs. In Lakhs
Raw materials	2508.25
Capital Goods	198.44
b) Travelling expenses:	7.63
c) Usance interest:	24.33
d) Technical Know-How:	126.05

for and on behalf of the Board

Place: Hyderabad
Date: 30.06.2003

(GHULAM GHOUSE)
CHAIRMAN

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Sathavahana Ispat believes that the Code of Corporate Governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the company and only proper governance implemented in true spirit would lead to effectiveness and transparency in the functioning of a corporate. The Company lays emphasis on basic governance issues and supports the broad principles of governance code viz., transparency, accountability and integrity.

Company's philosophy on Corporate Governance accordingly envisages attainment of high level of transparency, accountability and integrity in all its areas of operations on the one hand and in its interactions with stakeholders viz., shareholders, employees, customers, suppliers, lenders and the government on the other, with ultimate object of protecting the interests of all stakeholders, and enhancing the shareholders value over a sustained period of time.

2. BOARD OF DIRECTORS:

The board of directors consists of six directors of which three are executive and three are non-executive directors and among these two are promoter directors and four are independent directors. The independent directors constitute 66.67% and non-executive directors constitute 50% of the board's strength. The Chairman of the board is non-executive, independent director.

Place: Hyderabad
Date: 30.06.2003

(GHULAM GHOUSE)
CHAIRMAN



- Composition and category of directors is as follows:

Category	Name of the Director
I. Executive Directors	
a) promoters	Shri A.S.Rao Shri A.Naresh Kumar Shri S.N.Rao
b) Non-promoter, independent	
II. Non-executive directors	
a) independent	Shri Ghulam Ghouse Shri K.Thanu Pillai Shri Khaja Ruknuddin

- Attendance of each director at the board of directors meetings and the last annual general meeting:

Name of the Director	Board meetings		Attendance at last AGM
	Held	Attended	
Shri Ghulam Ghouse	7	7	Yes
Shri A.S.Rao	7	7	Yes
Shri K.Thanu Pillai	7	6	Yes
Shri Khaja Ruknuddin	7	7	Yes
Shri A.Naresh Kumar	7	7	Yes
Shri S.N.Rao	7	4	Yes

- Number of other board of directorships, board committees he is a member or chairperson of:

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri Ghulam Ghouse	None	None	None	None
Shri A.S.Rao	2	None	None	None
Shri K.Thanu Pillai	8	None	3	1
Shri Khaja Ruknuddin	1	None	None	None
Shri A.Naresh Kumar	2	None	None	None
Shri S.N.Rao	None	None	None	None

None of the directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

- Number of board meetings held, dates on which held:

During the year the company has held seven board of directors meetings. The dates on which these meetings held were: 30th May 2002; 27th June 2002; 31st July 2002; 30th August 2002; 30th September 2002; 30th October 2002 and 22nd January 2003. The maximum interval between any two meetings was not more than three calendar months.

- Reappointment of Directors at the 14th AGM:

Shri Ghulam Ghouse and Shri Khaja Ruknuddin are liable to retire by rotation at the ensuing annual general meeting of the Company and being eligible have offered themselves for reappointment.

Shri Ghulam Ghouse, M.A., B.Sc., CAIIB., the Chairman of the Company since inception, is an independent director on the Board of Directors of the Company. Shri Ghouse had his entire career with Reserve Bank of India in senior positions. He was formerly - Managing Director, Agriculture Finance

Corporation; Chairman, Bombay Mercantile Co-operative Bank Limited and Chairman, FAO, Bankers Programme, Rome. He was consultant to World Bank; Asian Development Bank; International Fund for Agriculture Development, Rome and FAO, United Nations Organization. He has a varied experience with specialization in central banking, development banking, financial management, credit planning etc., and has good experience in corporate management.

Shri Khaja Ruknuddin, B.A., LL.B., CAIIB., is an independent director on the Board of Directors of the Company. Shri Ruknuddin had his entire career with State Bank of India and held senior positions including overseas assignments before retiring as its Dy. Managing Director. He was former Chairman of Banking Service Recruitment Board. He has rich experience in commercial banking, human resources and financial management.

3.AUDIT COMMITTEE:

The Audit Committee of Directors comprises Shri Ghulam Ghouse, Shri K.Thanu Pillai and Shri Khaja Ruknuddin as its members all of whom are independent non-executive directors. Shri Ghulam Ghouse is the Chairman of the Committee. The Audit Committee meets the requirements of both Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

The Audit Committee met four times during the year. The attendance of the members at these meetings vis-à-vis meetings held was as under: Shri Ghulam Ghouse 4/4; Shri K.Thanu Pillai 4/4 and Shri Khaja Ruknuddin 4/4.

4.REMUNERATION COMMITTEE:

Remuneration Committee comprises Shri Ghulam Ghouse, Shri K.Thanu Pillai and Shri Khaja Ruknuddin as its members all of whom are independent non-executive directors. Shri Ghulam Ghouse is the Chairman of Remuneration Committee.

The responsibility of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any. The Committee did not meet during the year, as there was no agenda for consideration. The remuneration policy inter alia provides adequate remuneration levels, a portion of which would be based on corporate and individual performance of the Executive Directors.



Details of remuneration to all the Directors:

a) Executive Directors:

Rs.

Name of the Director	Salary	Benefits	Commission	Total
1. Shri A.S.Rao Executive Vice Chairman	600968	119441	916157	1636566
2. Shri A. Naresh Kumar Managing Director	530000	113527	916157	1559684
3. Shri S.N.Rao Executive Director (Works)	378000	110160	-	488160

b) Non-Executive Directors:

Rs.

Name of the Director	Sitting fee		Total
	As a Director	As a Committee Member	
1. Shri Ghulam Ghouse Chairman	14000	4000	18000
2. Shri K. Thanu Pillai Director	12000	4000	16000
3. Shri Khaja Ruknuddin Director	14000	20000	34000

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

Shareholders'/Investors' Grievance Committee comprises Shri Khaja Ruknuddin, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Khaja Ruknuddin. Shri K.V. Krishna Rao, General Manager (Finance) & Company Secretary has been nominated as the Compliance Officer.

The Board of Directors entrusted, inter alia, the following powers and responsibilities to the committee:

1. To approve and register transfer, transmission, issue of equity shares other than duplicate shares; to approve the demat requests, remat requests in connection with dematerialisation and/or rematerialisation of equity shares;
2. To attend to Shareholders' grievances and redress the complaints of shareholders and attend to the complaints received from other authorities.

During the year under review, company received a total number of 37 shareholders' complaints. All these complaints were redressed/replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March 2003.

Share transfers pending on 31st March 2003 for transfer were nil in physical mode and one request involving 500 shares in dematerialisation mode. This pending transfer was approved and dealt with in the next two weeks from that date.

6. GENERAL BODY MEETINGS:

Location and time, where last three annual general body meetings (AGM) held:

Year	Type of meeting	Venue	Date	Time
1999-2000	AGM	Sri Sagi Rama krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2000	3.30 PM
2000-01	AGM	Same as above	29.09.2001	3.30 PM
2001-02	AGM	Same as above	30.09.2002	3.30 PM

No postal ballots were used / invited for voting at the last Annual General Meeting in respect of special resolutions passed. There are no special resolutions, which are proposed to be passed through postal ballot for the year under review.

7. DISCLOSURES:

- a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large:

The following are the related party transactions with the directors:

Rs.

Name of the Related Party	Nature of transaction		
	Rental Income	Rental Deposit	Forfeited shares allotted
Shri A.Naresh Kumar Managing Director	388800	810000	-
Shri A. Ashok Kumar Relative of two Directors	302400	630000	-
Smt. A. Mutya Bai Relative of two Directors	84000	42000	-
Smt. Deepa N. Adusumilli Relative of Director	-	-	24000

There is no pecuniary relationship or transaction of the non-executive directors' vis-à-vis the Company.

- b) Details of non-compliance by the Company:

There were neither instances of non-compliance by the Company nor penalties, strictures imposed on the Company by Stock Exchange or Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years.

8. MEANS OF COMMUNICATION:

Half yearly and quarterly financial results are normally published in the newspapers viz., the Newstime (English daily) and the Andhra Prabha or Andhra Jyothi (Telugu dailies) on approval of the financial results by the Board of Directors. Half-yearly un-audited financial results (provisional) are also sent to shareholders by individual mail. The company has registered with Securities and Exchange Board of India's (SEBI) EDIFAR website and the financial results will also be made available on SEBI's website www.sebiedifar.nic.in.

Financial results are sent regularly to financial institutions and banks upon their publication.

Management Discussion and Analysis forms part of the Directors' Report.

9. GENERAL SHAREHOLDERS INFORMATION:

- a) AGM : 14th Annual General Meeting
Day and Date : Tuesday, the 30th September 2003
Time : 3.30 p.m.
Venue : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038.