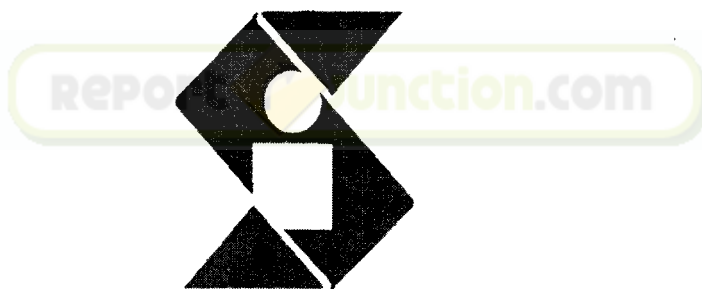


# 16<sup>th</sup>

## ANNUAL REPORT

### 2004-05



# SATHAVAHANA ISPAT LIMITED



## BOARD OF DIRECTORS:

<b>Shri Ghulam Ghouse</b>	Chairman
<b>Shri A.S.Rao</b>	Executive Vice Chairman
<b>Shri K.Thanu Pillai</b>	Director
<b>Shri Khaja Ruknuddin</b>	Director
<b>Shri A. Naresh Kumar</b>	Managing Director
<b>Shri S.N.Rao</b>	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 :

1. Haresamudram Village,  
Bonmanahal Mandal,  
Ananthapur District,  
Andhra Pradesh.
2. Kudithini Village,  
Korugodu Road,  
Bellary District, Karnataka

AGM	:	16th Annual General Meeting
Day and Date	:	Friday, the 30th September 2005
Time	:	3.00 p.m.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038.
Date of book closure	:	
i) Physical mode	:	16.09.2005 to 30.09.2005 (both days inclusive).
ii) Electronic mode	:	15.09.2005.
ISIN NO.	:	INE 176C01016
Listing	:	The Stock Exchange, Mumbai (Stock Code 526093)
	:	The Hyderabad Stock Exchange Ltd. Hyderabad (Stock Code SVI)

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**NOTICE OF 16TH ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 16th 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 Friday the 30th September, 2005 at 3.00 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, 2005 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. **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 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 Banks from whom the Company availed Term Loans, approval of the members in General Meeting and as recommended by the Remuneration Committee of Board of Directors and approved by Board of Directors at its meeting held on 30th June 2005, approval be and is hereby accorded to the re-appointment of Shri A.S.Rao, Executive Vice Chairman for a further period of five years effect from 27.07.2005 to 26.07.2010 on the following remuneration:

**I. SALARY:**

Salary of Rs.72,000 per month, in the scale of Rs.72,000-8,000-1,04,000 per month.

**II. 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 a ceiling of sixty percent of the Salary; 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 Fee** subject to a maximum of two Clubs. 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.
- vi. **Medical & Insurance Premium**, the premium of which shall not exceed Rs.24,000/- per annum.

**CATEGORY B:**

- i. **Contribution to Provident Fund, Superannuation Fund and Annuity Fund** 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 A.S.Rao, Executive Vice Chairman.

**III. COMMISSION:**

1% commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

**IV. MINIMUM REMUNERATION:**

In the event of losses or inadequacy of profits during the above period, the Executive Vice Chairman is entitled to the aforesaid salary and perquisites mentioned above as minimum remuneration".

"RESOLVED FURTHER that the office of Executive Vice Chairman held by Shri A.S.Rao pursuant to this resolution shall not be liable to determination by retirement of Directors by rotation".

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 the provisions of Section 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 Banks from whom the Company availed Term Loans and approval of the members in General Meeting and as recommended by the Remuneration Committee of Board of Directors and approved by Board of Directors at its meeting held on 29th January 2005, approval be and is hereby accorded to the re-appointment of Shri S.N.Rao, Executive Director (Works) for a further period of three years effect from 01.02.2005 to 31.01.2008 on the following remuneration:

**I. SALARY:**

Salary of Rs.45,000 per month, in the scale of Rs.45,000-4,000-53,000 per month.

**II. 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; 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 Fee 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.
- vi. Production incentives, exgratia at par with other employees.

**CATEGORY B:**

- i. Contribution to Provident Fund, Superannuation Fund and Annuity Fund as per 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).

**III. MINIMUM REMUNERATION:**

In the event of losses or inadequacy 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".

By order of the Board

Hyderabad

Date: 30.06.2005

(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 ITEMS 6 TO 7 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 **16.09.2005 TO 30.09.2005** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON 15.09.2005 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 2004-05 RECOMMENDED BY THE BOARD OF DIRECTORS, IF DECLARED AT THE GENERAL MEETING, WILL BE PAYABLE ON OR AFTER 1ST OCTOBER, 2005. TO THOSE MEMBERS WHOSE NAMES APPEAR ON THE COMPANY'S REGISTER OF MEMBERS HOLDING SHARES IN PHYSICAL MODE AS ON 30TH SEPTEMBER, 2005 AND TO THOSE BENEFICIAL OWNERS WHOSE NAME APPEARS ON 15TH SEPTEMBER 2005 IN THE LISTS PROVIDED BY THE DEPOSITORIES.

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 DRAWEE BRANCH OF THE BANK. **MEMBERS ARE THEREFORE ADVISED TO ENCASH DIVIDEND WARRANTS WITHIN THE INITIAL VALIDITY PERIOD OF SIX MONTHS.**

6. MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE REQUESTED TO INTIMATE TO THE COMPANY ON OR BEFORE 15TH SEPTEMBER 2005 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.

7. THE COMPANY PROVIDES THE FACILITY OF ELECTRONIC CLEARING SERVICE (ECS) TO ALL SHAREHOLDERS HOLDING SHARES IN ELECTRONIC AND PHYSICAL MODE FOR THE PAYMENT OF DIVIDEND DECLARED AT THE MEETING, AT THOSE CENTRES PERMITTED BY AND SUBJECT TO GUIDELINES ISSUED IN THIS REGARD BY RESERVE BANK OF INDIA.

MEMBERS HOLDING SHARES IN PHYSICAL FORM AND WISHING TO AVAIL THE ECS 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, 2005. ADDITIONAL COPIES OF ECS MANDATE, IF REQUIRED, CAN ALSO BE OBTAINED FROM THE SHARE TRANSFER AGENT.

8. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31ST MARCH, 2003 AND 31ST MARCH, 2004 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, 2003 AND 31ST MARCH 2004 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29TH SEPTEMBER 2010 AND 29TH SEPTEMBER 2011 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28TH OCTOBER 2010 AND 28TH OCTOBER 2011 AS THE CASE MAY BE.**

9. 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.
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 SECURITIES EXCHANGE BOARD OF INDIA (SEBI) THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26TH FEBRUARY, 2001. MEMBERS HOLDING SHARES IN PHYSICAL MODE 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 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 A REQUEST TO THE SHARE TRANSFER AGENTS M/S. IKON VISIONS PVT LTD OR COMPANY'S SECRETARIAL DEPARTMENT.
15. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON HYDERABAD AND MUMBAI 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:** Shri A.S.Rao has been appointed as Executive Vice Chairman in the Board Meeting held on 27.07.2000 for a period of five years with effect from 27.07.2000 to 26.07.2005. The appointment was subsequently approved at the 11th Annual General Meeting of the Company held on 30.09.2000. Accordingly his tenure will come to close on 26.07.2005.

Since Shri A.S.Rao is eligible for re-appointment. Accordingly, the Remuneration Committee of the Board of Directors had considered and recommended the re-appointment at its meeting held on 30th June 2005, for a further period of five years and accordingly the Board of Directors at its meeting held on 30th June 2005 approved the re-appointment for a further period of five years effective from 27.07.2005 to 26.07.2010.

Shri A.S.Rao, B.Tech (Hons) in Metallurgy is the chief promoter of the Company who has to his credit over three and a half decades of experience in the Iron and Steel Industry. He had earlier served in Steel Authority of India Limited (SAIL) for over 21 years before moving on to his own business. He is a first generation entrepreneur and has successfully implemented the existing Pig Iron project in 1992-93 with a distinction of being the first project of its kind to have a Co-generation Power Plant and also the least cost project of similar capacity in the country. Mr. Rao was the Managing Director of the Company during the period 1992-1999 and is at present the Executive Vice Chairman of the Company. Mr. A.S.Rao is actively involved in the planning and execution of Company's ongoing Modernisation and Expansion Project apart from setting up of captive Coke Oven Plant at the existing site. He is also actively involved in the implementation of Greenfield Coke Oven project with co-generation of power. Under his able stewardship the Company weathered ups and downs in the industry and maintained a consistent track record of profits.

Keeping in view his contribution to the Company and on the recommendations of the Remuneration Committee, the Board of Directors at its meeting held on 30th June 2005 re-appointed him as Executive Vice Chairman for a further period of five years effective from 27.07.2005 to 26.07.2010 at the remuneration set out in the resolution. Shri A.S.Rao is not liable to retire by rotation of Directors during his tenure as Executive Vice Chairman.

The re-appointment and the remuneration are as per the provisions of the Schedule XIII of the Companies Act, 1956, which does not require the approval of the Central Government but is subject to approval of banks and members in General Meeting.

Shri A.S.Rao, the appointee Director, and Shri A.Naresh Kumar, Managing Director, being a relative of Shri A.S.Rao are interested in the resolution. No other Director is concerned or interested in the resolution.

Accordingly, the approval of the members is being sought by way of special resolution.

Your Board of Directors commend the resolution for your approval.

**Item No.7:** Shri S.N.Rao had been appointed as Executive Director (Works) at the 13th Annual General Meeting of the Company held on 30.09.2002 for a period of three years w.e.f. 01.02.2002 to 31.01.2005. Accordingly his tenure expired on 31.01.2005. Shri S.N.Rao is eligible for re-appointment.

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. During last six years of



employment as Executive Director (Works). Shri S.N.Rao contributed significantly to the operations of the Company. Shri S.N.Rao has also contributed significantly in the implementation of Modernisation and Expansion programme of the Company. The Company also achieved a good progress during his tenure as Executive Director (Works). Keeping in view his contributions, the Board of Directors of the Company at its meeting held on 29.01.2005 re-appointed him as Executive Director (Works) for a further period of three years effective from 01.02.2005 to 31.01.2008.

The re-appointment 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 Banks.

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.

The Board of Directors commends the resolution for your approval.

**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, 2005	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, 2005	NIL	NIL

By order of the Board

Hyderabad  
Date: 30.06.2005

(A. NARESH KUMAR)  
MANAGING DIRECTOR

## DIRECTORS' REPORT

To  
**The Members,**  
**SATHAVAHANA ISPAT LIMITED.**

Your Directors have pleasure in presenting the 16th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2005.

### FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2004-05:  
(Rs. in Lakhs)

SL NO.	Particulars	Year ended 31-03-2005	Year ended 31-03-2004
1.	Sales	19829.70	14914.60
2.	Other Income	828.62	451.39
3.	Operating profit before Interest and Depreciation	5129.21	3322.03
4.	Interest	337.34	(7.44)
5.	Depreciation	753.65	326.18
6.	Profit before Tax	4038.22	3003.29
7.	Income Tax adjustment and provision	1398.12	806.79
8.	Net Profit after Tax	2640.10	2196.50
9.	Add: Profit brought forward from last year	1445.57	1105.11
10.	Available for appropriation	4085.67	3301.61
11.	Less: Transfer to General Reserve	2000.00	1500.00
12.	Less: Proposed Dividend	315.60	315.60
13.	Less: Provision for Corporate Dividend Tax	44.26	40.44
14.	Balance carried forward	1725.81	1445.57
15.	Earning per Equity Share Rs.	10.04	8.35

Your Directors are pleased to report that the sales turnover during the year under review at Rs.19829.70 Lakhs as against Rs.14914.60 Lakhs in the year before, is another record in the history of your Company. The Profit Before Tax has also significantly improved to Rs.4038.22 Lakhs as against Rs.3003.29 Lakhs in the last year. The Net Profit after Tax improved to Rs.2640.10 Lakhs as compared to Rs.2196.50 Lakhs in the previous year. In line with this impressive performance, the Earning Per Share (EPS) has improved to Rs.10.04 per share as compared to Rs.8.35 per share in the last year. Your Board of Directors considering the results proposed to transfer Rs.2000.00 Lakhs to General Reserve account, which after present appropriation stands at Rs.3800 Lakhs.

### DIVIDEND:

The Board of Directors have recommended a dividend of 12% for the year. The proposed dividend involves an outlay of Rs.315.60 Lakhs, same as in the last year. The applicable corporate dividend tax on the proposed dividend amounting to Rs.44.26 Lakhs (Rs.40.44 Lakhs in the previous year) will be borne by the Company. Your Board of Directors have ploughed back sizable amount of profits for the year mainly to meet the fund requirements of the on-going projects involving huge capital outlays, which will substantially improve the financial soundness and sustain the growth path of the Company over a longer period. While doing so the Board has kept in mind the interests of the shareholders as well as the Company's long term interests and thus maintained dividend at the same level as in the last year.



## **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:

- i) The applicable accounting standards have been followed in the preparation of Annual Accounts for the Financial Year 2004-05;
- 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 2005 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:**

The Audit Committee at its meeting held on 30th June 2005 has considered and approved the audited accounts for the financial year ended 31st March 2005. The audited accounts for the financial year ended 31st March 2005, 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, has been taken up. The project, coming up at a Green Field Site in the Bellary district of Karnataka, envisages setting up of a plant for manufacture of Metallurgical Coke with capacity of 300000 tpa with 30 MW Co-generation of Power at an estimated outlay of about Rs.17400 Lakhs. The Company has since tied up term debt of Rs.11900 Lakhs and the balance of Rs. 5500 lakhs will be met out of internal accruals. Barring unforeseen circumstances, the Metallurgical Coke facility is slated to be commissioned by end of financial year 2005-06 and the Co-generation of Power by mid of financial year 2006-07.

## **MODERNISATION AND EXPANSION:**

Your Board of Directors had reported in its previous report that the Modernisation and Expansion works were in progress and likely to be completed within a short time. Although the Company has purchased a major portion of the equipment during the last year, the implementation got delayed due to technical constraints. However during the year the Company has completed the works on 8.43 MW of Power Plant and also completed the balance works on Coke Oven facility. The enhanced capacity is now available with the commissioning of the auxiliary equipment. The capacity of the Blast Furnace now stands enhanced from 120000 tpa to 210000 tpa, the benefits of which will be accruing from now onwards.

## **DIRECTORS:**

Shri Ghulam Ghouse and Shri Khaja Ruknuddin retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for reappointment.

Securities and Exchange Board of India (SEBI) vide its order dated 10th September 2004, in the matter of another company, prohibited Shri Ghulam Ghouse from dealing in any securities and holding any office of responsibility in any company associated with securities markets for a period of five years. However Securities Appellate Tribunal (SAT) vide its order dated 3rd February 2005, in response to the appeal preferred by Shri

Ghulam Ghouse, granted interim stay against the operation of SEBI's order in so far as holding office by Shri Ghulam Ghouse as Director of this Company subject to the condition that the Board of Director of this Company approves his continuation on the Board and Members of the Company approve his next re-appointment. Keeping in view the impeccable track record and professional conduct of Shri Ghulam Ghouse, the Board of Directors at its meeting held on 30th April 2005 unanimously approved for continuation of Shri Ghulam Ghouse on the Board of the Company. Shri Ghulam Ghouse's re-appointment is coming up for approval of the members in the ensuing Annual General Meeting and the Board commends the resolution for your approval.

Shri A.S.Rao has been re-appointed as Executive Vice Chairman for a further period of five years effective from 27.07.2005. Shri S.N.Rao has been re-appointed as Executive Director (Works) for a further period of three years effect from 01.02.2005. Approval of the members for the said re-appointments is being sought in 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:**

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) rules, 1975, as amended, are given in the Annexure forming part of this report.

## **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 Securities Exchange Board of India (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.

## **LISTING OF SHARES ON NSE:**

Keeping in view the interests of the shareholders and with a view to facilitate trading of shares on the stock exchange having nation wide trading terminals the Company has applied for listing of shares of the Company on the National Stock Exchange of India Limited (NSE), Mumbai. The Company's application is under consideration of the NSE.

## **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 Canara Bank, State Bank of Hyderabad, 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 at all levels of the Company.

for and on behalf of the Board

Place: Hyderabad  
Date: 30.06.2005

**(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 Captive Power Generation Plants, which utilise surplus blast furnace gas. The Power Plants have been functioning satisfactorily.
- b) Technology absorption: Company had earlier replaced the Tata-Korff technology with China Shougang technology and partially absorbed the new technology during the year. With the commissioning of the enhanced capacity in 2005-06, the China Shougang technology stands fully absorbed.
- 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	13017.82
Capital goods	1842.08
    - b) Travelling expenses 9.03
    - c) Usance interest 145.27
    - d) Technical know-how 248.12

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

Sl No.	Name / Designation	Qualifications	Age (years)	Experience (years)	Date of Commencement of employment	Gross Remuneration Rs.	Name of Last Employer / Post held
1.	Shri A. Naresh Kumar Managing Director	B. Tech., M.S.(USA)	35	15	01.06.1999	5091137	Chemical Market Resources Inc., Project Manager
2.	Shri A.S.Rao Executive Vice Chairman	B.Tech (Hons),	63	42	01.07.1991	4982385	Steel Authority Of India Limited / Addl Chief (Marketing)

Notes: 1. Gross remuneration includes salary, H.R.A., commission and other perquisites. 2. The conditions of employment are contractual. 3. Sri A. Naresh Kumar and Sri A.S.Rao are related to each other.

for and on behalf of the Board

Place: Hyderabad  
Date: 30.06.2005

**(GHULAM GHOUSE)**  
CHAIRMAN

**REPORT ON CORPORATE GOVERNANCE**

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

Sathavahana Ispat limited 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.

- 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	6	3	No
Shri A.S.Rao	6	6	Yes
Shri K.Thanu Pillai	6	6	Yes
Shri Khaja Ruknuddin	6	6	Yes
Shri A.Naresh	6	6	Yes
Shri S.N.Rao	6	6	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	10	None	4	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 six Board of Directors meetings. The dates on which these meetings held were: 30th April 2004; 31st May 2004; 31st July 2004; 30th September 2004; 30th October 2004 and 29th January 2005. The maximum interval between any two meetings was not more than three calendar months.

- Reappointment of Directors at the 16th 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. The Board of Directors at its meeting held on 29th January 2005 has reappointed Shri S.N.Rao as Executive Director (Works) for a further period of three years effect from 01.02.2005 to 31.01.2008. The Board of Directors at its meetings held on 30th June 2005 has also reappointed Shri A.S.Rao as Executive Vice Chairman for a further period of five years effect from 27th July 2005 to 26th July 2010.

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.

Shri A.S.Rao, B.Tech (Hons) in Metallurgy is the chief promoter of the Company who has to his credit over three and a half decades of experience in the Iron and Steel Industry. He had earlier served in Steel Authority of India Limited (SAIL) for over 21 years before moving on to his own business. He is a first generation entrepreneur and has successfully implemented the existing Pig Iron project in 1992-93 with a distinction of being the first project of its kind to have a Co-generation power plant and also the least cost project of similar capacity in the country. Mr. Rao was the Managing Director of the Company during the period 1992-1999 and is at present the Executive Vice Chairman of the Company.

Mr. A.S.Rao is actively involved in the planning and execution of company's ongoing Modernisation and Expansion project apart from setting up of captive Coke Oven Plant at the existing site. He is also actively involved in the implementation of Greenfield Coke Oven Project with Co-generation of Power. Under his able stewardship the Company weathered ups and downs in the industry and maintained a consistent track record of profits.

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. During last six years of employment as Executive Director (Works), Shri S.N.Rao contributed significantly to the operations of the Company. Shri S.N.Rao has contributed significantly in the implementation of Modernisation and Expansion programme of the Company. The Company also achieved a good progress during his tenure as Executive Director (Works). Keeping in view his contributions, the Board of Directors of the Company at its meeting held on 29.01.2005 reappointed him as Executive Director (Works) for a further period of three years from 01.02.2005 to 31.01.2008.

### 3. AUDIT COMMITTEE:

The Audit Committee of Board 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. Company Secretary is also functioning as Secretary to the Audit 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 Agreements 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 2/4; 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 met on 29th January 2005, for re-appointment of Executive Director (Works) and on 30th June, 2005 for re-appointment of Executive Vice Chairman. The remuneration policy inter alia provides adequate remuneration levels, a portion of which would also be based on corporate and individual performance, of the executive directors.