

38th ANNUAL REPORT



Sharda Ispat Ltd, Nagpur

**BOARD OF DIRECTOR**

J.K. SARDA	MANAGING DIRECTOR
N.K. SARDA	JT. MANAGING DIRECTOR
A. MUKHERJEE	WHOLE TIME DIRECTOR
G.D. SARDA	WHOLE TIME DIRECTOR
GOVIND DAGA	ADDITIONAL DIRECTOR

KEY PERSONNEL

S.G. PANPALIA	EXECUTIVE DIRECTOR
AJAY SONI	V. PRESIDENT MARKETING
G. RAVI IYER	V. PRESIDENT MATERIALS
ANAND SARDA	V. PRESIDENT COMMERCIAL
C.K. GOLE	MANAGER CORPORATE
R. KUMAR	SR. MANAGER (MAT & SECURITY)
P.D. CHATTERJEE	FACTORY MANAGER
SUDEEP SANYAL	SYSTEMS MANAGER
MANOJ KOTHARI	MARKETING MANAGER
S. MAHESHWARI	BRANCH MANAGER
N. T. ASHAR	DY. MANAGER ACCOUNTS
V. N. DESHKAR	DY. MANAGER FINANCE
R. S. BALDWA	DY. MANAGER ACCOUNTS
V. N. MAYEE	DY. MANAGER ACCOUNTS
KULWANT SINGH	ROLLING MILL MANAGER
S. S. MAHULE	MANAGER (MECHANICAL)
S. L. YADHO	GENERAL FOREMEN

COMPANY SECRETARY CUM V.P. (FINANCE)

GOUTAM BANDYOPADHYAY

STATUTORY AUDITORS

M/s. LOYA BAGRI & CO.
Chartered Accountants,
Gandhibagh, Nagpur - 440 002

INTERNAL AUDITORS

M/s. M. M. JAIN & CO.
Chartered Accountants,
Kingsway, Nagpur - 440 001

ADVISOR

ABHISHEK MAHESHWARI
Chartered Accountant
Jaideo, Chhapru Nagar, C.A. Road, Nagpur-440 008

BANKERS

STATE BANK OF INDIA
Main Branch, Kingsway, Nagpur - 440 001
Industrial Finance Branch, Amravati Road, Nagpur-440 010

REGISTERED OFFICE

Kamptee Road, Nagpur -440 026

WORKS

- i) Kamptee Road, Nagpur -440 026
- ii) T-1/1, MIDC, Hingna Road, Nagpur - 440 016

SHARE TRANSFER AGENT

M/s. LIGHT HOUSE SYSTEMS
Yugdharm Complex, Lokmat Square, Nagpur.

Sharda Ispat Ltd, Nagpur**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 38th Annual General Meeting of the Company will be held on Wednesday, the 30th June 1999 at 10.00 A.M at the Registered Office of the Company i.e. Kampree Road, Nagpur to transact the following business :

1. To receive, consider and adopt the Audited Accounts of the Company for the 9 months period ended on 31st December 1998 and Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors Report.
2. To appoint a Director in place of Shri Ghanshyam Das Sarda who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. A. Mukherjee who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if through fit, to pass, with or without modifications the following resolution as an Ordinary Resolution.

"Resolved that Shri Govind Daga, who was appointed as an Additional Director of the Company by the Board of Directors after obtaining prior approval from the financial institution from which the Company has obtained financial assistance and who holds office under section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting and in respect of whom the company has, pursuant to section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and if though fit, to pass, with or without modifications the following resolution as an Ordinary Resolution.

" Resolved that in accordance with the provisions of Section 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act 1956 (including any statutory modification or re-enactment there of for the time being in force) the consent of the company be and is hereby accorded to the re-appointment of Shri Ghanshyam Das Sarda, as a Whole Time Director of the Company for a period of 5 (five) years from the expiry of his present term of office that is on and with effect from 1st January 1999, on the terms and conditions including remuneration as are set out in the draft agreement placed before the meeting and initialled by a Director for the purpose of identification is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as to be in conformity with Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force and / or any modifications that may here after be made there to by the Central Government in that behalf from time to time or any amendments there to as may be agreed to between the Board of Directors and Shri Ghanshyam Das Sarda, subject to approval of the Shareholders whenever/ wherever required and the Board of Directors be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

By Order of the Board of Directors
For Sharda Ispat Limited

Place : Nagpur

Date : 10th May, 1999

(G. Bandyopadhyay)
Company Secretary cum V.P. (Finance)

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Sharda Ispat Ltd., Nagpur**NOTES :**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The form of proxy shall be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
4. The register of members and share transfer books of the Company shall remain closed from 28th June 1999 to 30th June, 1999 (both the days inclusive) .
5. An explanatory statement under section 173 (2) of the Companies Act, 1956 in respect of item number 5 and 6 as set out above are annexed hereto and form part of the notice.
6. The member are requested to notify immediately any change in their address to the Company.

ANNEXURE TO NOTICE

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

Item No. 5.

Shri Govind Daga was appointed by the Board of Directors at their meeting held on 11th December 1998 after obtaining approval from M/s. IDBI as an Additional Director. In terms of Section 260 of the companies Act, 1956 he shall hold office only upto the date of the Annual General Meeting of the Company. The company has received valid notice and requisite deposit from a member of the Company under Section 257 of the Act, proposing the candidature of Shri Govind Daga for the office of Director. Shri Govind Daga is a well known industrialist and looking into his background and valuable experience it will be in the interest of the company that Shri Govind Daga continues as Director of the Company.

The Directors recommend the resolution for approval of the shareholders. No other Directors except Shri Govind Daga is in any way concerned or interested in the resolution.

Item No. 6 :

The earlier term of office of Shri Ghanshyam Das Sarda as whole time Director expired on 31.12.98. The Board of Directors, has, at its meeting held on 11th December, 1998, re-appointed Shri Ghanshyam Das Sarda as whole Time Director for a period of five years with effect from 1st January 1999. The draft agreement to be entered into by the Company with Shri Ghanshyam Das Sarda in respect of his re-appointment interalia states that :

1. Validity : From 01.01.1999 to 31.12.2004
2. Salary : Rs. 10,000 per month
3. Perquisites : Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the actual annual salary or Rs. 1,20,000 per annum whichever is less.

Perquisites are classified as under :

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Category A:

i : HOUSING

- a. The expenditure incurred by the company on hiring out furnished accommodation for the Whole Time Director shall be subject to ceiling of 40% of the salary, over and above 10% payable by the Whole Time Director himself.
- b. The expenditure incurred by the Director on gas, electricity, water & furnishing will be paid extra by the company based on actual Bills.
- c. In case no accommodation is provided by the Company, the Whole Time Directors shall be entitled to house rent allowance subject to the ceiling laid down in (i) above i.e. 40% of salary.
- d. In case the accommodation is owned by the Company 10% of the Salary of the Whole Time Director shall be deducted by the Company.
- ii. **Medical Reimbursement** : Reimbursement of expenses incurred for self and family subject to 30% of the Salary of the Whole Time Director.
- iii. **Leave Travel Concession** : for self and family within India once in a year.
- iv. **Club fees** : Club fees of clubs subject to maximum two clubs. No admission and its life membership fees will be paid.
- v. **Personal Accident Insurance** : Annual premium of personal accident insurance shall not exceed Rs. 5,000/-

Note : For the purpose of perquisites stated in (ii) & (iii) "family" means spouse, the dependent children and dependent parent of the appointee.

Category B :

- vi. Contribution to provident fund and superannuation fund or annuity fund will not be included in the computation of the ceiling on the perquisites to the extent these, either singly or put together are not taxable under Income Tax Act, 1961.
- vii. Gratuity payable shall not exceed half month salary for each complete year of Service.

Category C :

- viii. The company shall provide a car with a driver for official use and telephone facility at the residence of whole Time Director. These facilities will not be considered as perquisites in the hands of Whole Time Director.
- ix. **Reimbursement of Expenses** : Apart from the aforesaid remuneration the Whole Time Director shall be entitled to reimburse actual expenses incurred by him in connection with the business of the company.
- x. **Sitting fees** : No sitting fees shall be paid to the whole Time Director for attending the meeting of the Board of Directors or any committee there of.

The Directors recommend the Resolution set out in the notice for approval of the Shareholders.

Shri Ghanshyamdas Sarda, is related to Shri Jugal Kishore Sarda- Managing Director and Shri Nand Kishore Sarda-Jt. Managing Director of the company and they are deemed to be interested in the resolution. Except for himself, Shri J. K. Sarda & Shri. N. K. Sarda, none of the other Directors are concerned or interested in the resolution.

Sharda Ispat Ltd, Nagpur**DIRECTORS' REPORT**

Dear Shareholders,

The Directors present this 38th Annual report together with the Audited Statement of Accounts for the period of 9 months ended 31st December, 1998.

1. **Financial Results** : During the 9 months period ended on 31st December 1998 the total production including conversion was 34235 M.T. & Sales Rs. 5381.05 lacs as against 35,675 M.T. production and Rs. 6203.26 lacs sales in the previous year of 12 months period ended on 31st March, 1998. The performance of the company for the period under review was affected mainly due to overall recessionary trend in economic scenario and declining demand for steel due to little or no progress in large infrastructural projects. The summarised results for the period are shown below :

	Rs.	Rs.
Gross loss before interest, Depreciation, Taxation Provisions & other adjustments		4,40,031
Add : Prior period adjustments[Net]		1,28,265
		<hr/> 5,68,296
Add : Depreciation	96,80,378	
Interest	3,64,15,365	
Less : Taxation provision/ Adjustments	<hr/> 7,076	
Operating loss before taxation		4,66,56,963
Add : Public issue expenses written off		<hr/> 3,76,673
Deficit of the current year		4,70,33,636
Add : Earlier year loss Brought Forward		<hr/> 91,08,388
Balance of loss Carried Forward to balance sheet		<hr/> 5,61,42,024

The Company has become a Potentially Sick Company under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 because its peak net worth during last 4 years has eroded by more than 50%. A separate meeting of the members will be called to consider the issue after approval of the accounts for the year under review.

2. **Operation** : During the period under review due to recession in steel sector there was a under utilisation of capacity resulted in under absorption of fixed expenses and interest and in turn company has suffered huge losses.
3. **Future Prospects** : With the modernisation & expansion project the company has created large capacity both at Kamptee Road Unit & Hingna Unit to produce wide range of quality products of Angles, Rounds, Bars, Flats etc. The Company has already started to tap new market areas so as to increase its capacity utilisation. The Company is expecting better results in future.
4. **Directors** : Shri. G. D. Sarda and Shri. A. Mukherjee will retire by rotation and being eligible offers themselves for re-appointment.

Shri. G. Daga was appointed as an additional director of the company and in terms of section 260 of the Companies Act, 1956 he shall hold office upto the date of Annual General Meeting. Necessary resolutions have been set out in the notice for appointment of Shri G. Daga.

Shri Ghanshyam Das Sarda was appointed on 1.1.94 for a period of five years as a Whole Time Director. His term of contract expired on 31.12.98. Considering his valuable services, Directors have re-appointed him as WholeTime Director with effect from 1.1.1999 subject to approval of the members in the ensuing Annual General Meeting of the Company and placed the necessary resolution for consideration by the Shareholders.

5. **Fixed Deposits** : None of the deposits which became due for payment remain unpaid as on 31.12.98.

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6. **Auditors' Report & Auditors** : The Auditors report and its Annexures are self explanatory. The statutory auditors M/s. Loya Bagri & Company, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.
7. **Personnel** : Information required under section 217(2A) of the companies Act, 1956 read with Companies [Particulars of Employees] Rules 1975 as amended, forming a part of Directors Report and are set out in the Annexure-'A'
8. **Energy, Technology, Foreign Exchange** : Information as per section 217 (1)(e) of The Companies Act, 1956, read with Companies (Disclosure of particulars in Report of the Board of Directors) Rule, 1988 and forming part of Director's Report are set out in the Annexure'B'.
9. **Dividend** : The Board of Directors have not recommended payment of dividend.
10. **Status of the Y2K preparedness level** : As per the requirement of clause 32 of the Listing Agreement the steps already taken & future plans to overcome the Y2K problem in brief are mentioned below:
- All computer hardware & various software in use are Y2K compliant and company do not expect any critical problem in normal working.
 - There is no major expenditure till date in over coming the Y2K problem and company is not expecting any further major cost involve in future.
 - Although company is not expecting any problem related to year 2000 bug however in case of any system breakdown / failure, company is having sufficient infrastructural facilities in the existing set up to handle such breakdown/failure within a short period. The Directors want to inform the Shareholders that by timely strategy formulation and implementation there of the company has already overcome the Y2K problems.
11. **Acknowledgement** : Your directors place on record their appreciation of the assistance and support extended by Banks, Financial Institutions, Various Government Departments, Main producers of Iron & Steel and valuable customers for the continuous guidance and support. Your directors express their appreciation for the dedicated and sincere services rendered by the employees of the company.

For and on behalf of the Board of Directors.

Place : Nagpur

Date : The 10th May 1999.

[J.K.SARDA]
(Managing Director)

[N.K.SARDA]
(Jt. Managing Director)

Annexure 'A' to the Director's Report

Statement of Particulars of Employees u/s.217(2A) of the Companies Act, 1956.

Name	Designation	Remuneration (Rs.) up to 31.12.98	Quali- fication	Experi- ence	Age	Dt.of comme- ment of Employment	Last Employ ment held Before
Shri.J.K.Sarda	Mg.Director	Rs.2,62,720/-	B.Com	30	51	1.5.75	Own Trade & Industry
Shri.N.K.Sarda	Jt.Mg. Director	Rs.2,40,123/-	B.Sc	30	50	21.11.67	Own Trade & Industry

- Notes :**
- Shri.J.K.Sarda & Shri.N.K.Sarda are related to each other and also to Mr.G.D.Sarda.
 - Remuneration received includes Salary, Perquisites and allowances as applicable, employer's contribution to Provident Fund, Leave Travel Facility, Re-imbursement of Medical expenses etc.
 - All appointments are of contractual nature.

Sharda Ispat Ltd, Nagpur**Annexure 'B' to The Director's Report****A. Conservation of Energy :**

The Company always lays great emphasis on savings in the cost of energy consumption and reduction in per unit consumption of energy is an ongoing process. Effective measures have been taken to minimise the loss of energy.

B. Technology Absorption :

The company is always in pursuit of finding new ways and means to improve the quality and cost effectiveness of its products by reducing the percentage of burning loss and generation of waste & scrap.

C. Foreign exchange earnings and out go :

- The company has not effected any import or export during the period ended 31/12/1998.
- The inflow of foreign exchange is NIL.
- The outflow of foreign exchange is NIL.

FORM 'A'**(See Rule 2)**

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and Fuel Consumption :		Dec. 1998	Mar.1998
1. Electricity			
a) Purchased : Units		3,938,621	4,644,461
Total Amount (Rs.)		16,449,437	19,588,993
Average Rate / Unit (Rs.)		4.18	4.22
b) Own Generation :		NIL	NIL
2. Steam Coal :			
Quantity (Tonnes)		6,455	9,042
Total Cost (Rs.)		9,248,635	18,129,818
Average Rate / Tonne (Rs.)		1,432.79	2,005.07
3. Furnace Oil :			
Quantity (K.Ltrs.)		683.863	775.912
Total Amount (Rs.)		4,710,563	5,144,300
Average Rate / Tonne (Rs.)		6,888.17	6,630.00
4. Others / Internal Generation		NIL	NIL
B. Consumption per MT of Production (Standards if any)			
Products (with details) Unit			
Rolled Iron & Steel (in M.T.)		34,235	35,675
Electricity (in Units)	NIL	115.05	130.19
Furnace Oil (Secondary Fuel) (In Ltrs.)	NIL	19.98	21.75
Coal (Steam Coal 'B' Grade) (in MT.)	NIL	0.189	0.253
excluding shell & dust			
Others (Specify)	NIL	NIL	NIL

Sharda Ispat Ltd, Nagpur**AUDITORS' REPORT**

To,

The Shareholders,
SHARDA ISPAT LTD.,
NAGPUR.

We have audited the attached Balance Sheet of Sharda Ispat Ltd., Nagpur as at 31st December 1998 and the annexed Profit & Loss Account for the period ended on that date annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4-A) of the Companies Act, 1956, we annex hereto, a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :-
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account dealt with this report are in agreement with the books of account.
 - d. The Company has recognised the Income derived from conversion work done for others by including the value of goods converted per excise records on sales side and evaluating the value of Raw Material consumed for conversion on purchase side. The above recognition, in our opinion is not according to Accounting Standard 'As-9' as recommended by the Institute of Chartered Accountants of India, New Delhi. The aforesaid recognition has resulted in increase in figures of "Sales and Service charges" on Income Side and "Raw Material consumed" on Expenses Side by Rs. 14,34,56,659/- in Profit & Loss Account as already indicated in note no. 26 of Schedule 'T' though it has not effected the profit of the Company for the period.
 - e. In respect of the transactions covered u/s 297 of the Companies Act, 1956, the previous sanction of the Central Government u/s. 297 of the Companies Act, 1956 was not available but the company had made the applications seeking the necessary approval for the same. Such approval is still awaited.
 - f. Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - a. In the case of the Balance Sheet, of the state of affairs of the company as on 31st Dec., 1998, and
 - b. In the case of the Profit and Loss Account, of the Loss for the period ended on that date.

Nagpur, dated the,
10th May, 1999

For LOYA BAGRI & CO.
CHARTERED ACCOUNTANTS

(GOPAL DAS BAGRI)
Partner

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