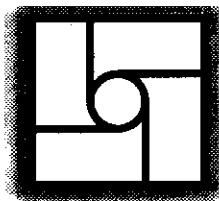
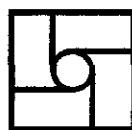


40th Annual Report

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Sharda Ispat Limited
Nagpur



■ BOARD OF DIRECTORS

J. K. SARDA MANAGING DIRECTOR
 N. K. SARDA JT. MANAGING DIRECTOR
 G.D. SARDA WHOLE TIME DIRECTOR
 H. K. DAS ADDITIONAL DIRECTOR
 A. MUKHERJEE ADDITIONAL DIRECTOR

■ KEY PERSONNEL

ANAND SARDA V. PRESIDENT COMMERCIAL
 SUDEEP SANYAL SYSTEM MANAGER
 KULWANT SINGH ROLLING MILL MANAGER
 K.C. BALAJEE VENKATRAMAN ... FACTORY MANAGER
 N.T. ASHAR DY. MANAGER ACCOUNTS

■ AUDITORS

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

M. M. JAIN Chartered Accountants,
 Kingsway, Nagpur-440 001

■ ADVISORS

ABHISHEK MAHESHWARI, Chartered Accountant,
 Plot No. 46, S.D. Hospital Road, Ganesh Nagar, Nagpur.

PRAMOD JAWANDHIYA Chartered Accountant,
 Mahajan Market, Sitabuldi, Nagpur.

■ BANKERS

STATE BANK OF INDIA

■ 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
 Yugadharma Complex, Lokmat Square,
 Nagpur.

**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 40th Annual General Meeting of the Company will be held on Saturday 30th June 2001 at 10.00 A.M. at the Registered Office of the Company i.e. Kamptee Road, Nagpur to transact the following business.

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st December 2000 and the Report of Board of Directors and Auditors Report.
2. To appoint M/s. Loya Bagri & Co., Chartered Accountants, Nagpur, the retiring statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and fix their remuneration.
3. To appoint a Director in place of Shri. G.D. Sarda who retires by rotation at this meeting and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. To Consider and if thought fit, to pass, with or without modifications the following resolution as an Ordinary Resolution.

"Resolved that Shri. H.K. Das, who was appointed as an Additional Director of the Company by the Board of Directors on 31.12.2000 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 Director of the Company, liable to retire by rotation".

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

"Resolved that Shri. A. Mukherjee, who was appointed as an Additional Director of the Company by the Board of Directors on 25.05.2001 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 thought 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. J.K. Sarda, as Managing Director of the Company for a period of 5(five) years with effect from 1st August 2001, on the terms and conditions including remuneration are set out in the agreement entered in to between the company and Shri J.K. Sarda. Terms & Conditions are mentioned below with liberty to the Board of Directors of the Company to vary the same from time to time.

1. Validity : From 1st August 2001 to 31st July 2006.
2. Salary : Rs. 15,000/- per month.
3. Perquisites : Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to amount equal to the annual salary. Perquisites are classified as under :

Category A :**i) Housing :**

- a. The expenditure by the Company on hiring furnished accommodation will be subject to the following ceilings : 40% of the Salary over and above 10% payable by the Managing Director.



- b. In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in (a) above i.e. 40% of salary.
- c. In case the accommodation is owned by the Company 10% of the salary of the Managing Director shall be deducted by the Company.
- d. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be paid extra based on actual bills.
- ii) **Medical Reimbursement** : Reimbursement of expenses incurred for self and family subject to a ceiling of 25% of the Salary of the Managing Director.
- iii) **Leave Travel Concession** : Leave Travel Concession for self and family within India once in a year.
- iv) **Club fees** : Club fees of clubs subject to a maximum of 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. 6000/-

Note : For the purpose of perquisites stated in (ii) & (iii) "family" means spouse, the dependent children and dependent parents 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 a month's salary for each complete year of service subject to maximum upto Rs. 1,00,000/- (One lac)

Category C:

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

- 7. To Consider and if thought 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. N.K. Sarda, as Jt. Managing Director of the Company for a period of 5 (five) years with effect from 1st August 2001, on the terms and conditions including remuneration are set out in the agreement entered in to between the company and Shri N.K. Sarda. Terms & Conditions are mentioned below with liberty to the Board of Directors of the Company to vary the same from time to time.

- 1. Validity : From 1st August 2001 to 31st July 2006.
- 2. Salary : Rs. 15,000/- per month.
- 3. Perquisites : Perquisites shall be allowed in addition to Salary. Perquisites shall be restricted to an amount equal to the annual salary. Perquisites are classified as under :

**Category A:****i) Housing :**

- a. The expenditure by the Company on hiring furnished accommodation will be subject to the following ceilings :40 % of the salary over and above 10 % payable by the Jt. Managing Director.
- b. In case no accommodation is provided by the Company the Jt. Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in (a) above i.e. 40% of salary.
- c. In case the accommodations owned by the Company 10% of the salary of the Jt. Managing Director shall be deducted by the Company.
- d. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be paid extra based on actual bills.

ii) Medical Reimbursement : Reimbursement of Expenses incurred for self and family subject to a ceiling of 25% of the Salary of the Jt. Managing Director.**iii) Leave Trave Concession :** Leave trave concession for self and family within India once in a year.**iv) Club fees :** Club fees of clubs subject to a maximum of 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. 6000/-

Note : For the purpose of perquisites stated in (ii) & (iii) "family" means spouse, the dependent children and dependent parents 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 a month's salary for each complete year of service subject to maximum upto Rs. 1,00,000/- (one lac)**Category C****viii)** The company shall provide a car with a driver and telephone facility at the residence of Jt. Managing Director. These facilities will not be considered as perquisites in the hands of Jt. Managing Director.**ix) Reimbursement of Expenses :** Apart from the aforesaid remuneration, the Jt. Managing Director shall be entitled to reimburse expenses incurred by him in connection with the business of the Company.**x) Sitting Fees :** No sitting fees shall be paid to the Jt. Managing Director for attending the meeting of the Board of Directors or any committee thereof.**8.** To Consider and if thought fit, to pass, with or without modifications the following resolution as an Ordinary Resolution.

"Resolved that the Board of Directors be and are hereby authorized to make application to Pune Stock Exchange Limited, The Stock Exchange Ahmedabad and Kolkata Stock Exchange Association Limited for de-listment of securities and follow other Procedural formalities required under listing agreement and guidelines issued by S.E.B.I. for effecting such de-listment from the Stock Exchanges".

By order of the Board
For SHARDA ISPAT LTD.

Place : Nagpur
Date : 25th May 2001

N.K. SARDA
Jt. Mg. Director

**NOTES :**

1. A member of the Company entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company.
2. The form of proxy shall be deposited at the Registered Office 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 transfer books of the Company will remain closed from 25th June 2001 to 30th June 2001 both days inclusive.
5. The members who have so far not encashed their dividend warrants for the financial year ended 31st March 1995 may claim or approach the Company for the Payment.

ANNEXURE TO NOTICE :

Explanatory statement under Section 173 of Companies Act, 1956 for Item No. 4, 5, 6, 7 and 8.

Item No. 4

Shri. H.K. Das was appointed by the Board of Directors at their meeting held on 31st Dec. 2000. In terms of Section 260 of the Companies Act, 1956 he shall hold office only upto the date of 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. H.K. Das for the office of Director. Shri H.K. Das is an Industrialist and looking into his valuable experience it will be in the interest of the Company that Shri. H.K. Das continues as Director of the Company.

The Directors recommended the resolution as Item No. 4 for approval of the shareholders. No other director except Shri. H.K. Das is in anyway be concerned or interested in the resolution.

Item No. 5

Shri. A Mukherjee again appointed by the Board of Directors at their meeting held on 25th May 2001. In terms of section 260 of the Companies Act, 1956 he shall hold office only upto the date of 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. A. Mukherjee for the office of Director. Shri. A. Mukherjee was associated with the company for almost last 20 years. Due to his health problem he resigned from whole time Directorship of the Company on 31st Dec. 2000. Looking into his valuable experience the Board of Directors requested Mr. A. Mukherjee to act as Director on Board and Mr. A Mukherjee has accepted the request and given his consent. The Directors recommended the resolution as Item no. 5 for approval of the shareholders. No other director except Shri. A. Mukherjee is in anyway be concerned or interested in the resolution.

Item No. 6.

Shri. J.K. Sarda was appointed on 01.08.96 for a period of 5 years. The Board of Directors in their meeting held on 25 th May 2001 has reappointed Shri. J.K. Sarda as Managing Director of the Company for a further period of five years with effect from 01.08.2001 as per the terms of remuneration in accordance with Schedule XII of the Companies Act, 1956 or any amendments thereto as many be made from time to time Members approval sought for his reappointment on the terms and conditions as set out in the agreement between the Company and Mr. J.K. Sarda .

Hence your directors accordingly place the Resolution as Item No. 6 before the shareholders for approval.

None of the Directors except Shri. J.K. Sarda, Shri. N.K. Sarda, Shri. G.D. Sarda are interested in the respective resolution.

**Item No. 7**

Shri. N.K. Sarda was appointed on 01.08.96 for a period of 5 years. The Board of Directors in their meeting held on 25th May 2001 has reappointed Shri. N.K. Sarda as Jt. Managing Director of the Company for a further period of five years with effect from 01.08.2001 as per the terms of remuneration in accordance with Schedule XII of the Company Act, 1956 or any amendments thereto as many be made from time to time. Members approval sought for his reappointment on the terms and conditions as set out in the agreement between the Company and Shri. N.K. Sarda.

Hence your directors accordingly place the Resolution as Item No. 7 before the shareholders for approval.

None of the Directors except Shri. J.K. Sarda, Shri N.K. Sarda, Shri. G.D. Sarda are interested in the respective resolution.

Item No. 8

At the time of public issue in the financial year, 93-94 the company registered with the Stock Exchanges of Mumbai, Pune, Ahmedabad and Kolkata. However since beginning there was hardly any transaction through these Stock Exchanges. Although till date the company is paying listing fees and following other formalities as per Listing Agreement and SEBI guidelines. However presently due to financial crunch the company is facing difficulty in paying annual listing fees and following multiple procedural formalities. The Board of Directors in their meeting held on 25th May 2001, decided to put up the resolution for approval of shareholders regarding de-listing of securities from Pune Stock Exchange Ltd. The Stock Exchange, Ahmedabad and the Kolkata Stock Exchange Association Ltd. other than Mumbai Stock Exchange which is also the regional Stock Exchange. The directors assured by passing the resolution the right of transferring share by the shareholder will not be restricted in anyway, neither there will be any procedural difficulty to be faced by any of the shareholder located anywhere in India for transferring the Shares held by him.

Hence your Directors accordingly place the resolution as Item No. 8 before the shareholders for approval.

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DIRECTOR'S REPORT

Dear Shareholders,

Your Directors, hereby present the 40th Annual Report on the business and operation of the Company and the Audited Financial Accounts for the year ended 31st December 2000.

1. **Financial Results :** During the year ended on 31st December 2000 the total production of the company including conversion was 34,836 M.T. and sales Rs. 2902.35 Lacs. The under utilisation of capacity is mainly due to low demand for hot rolled products during the period under review. The general slowdown in implementation of large infrastructural projects in the areas of power, ports and roads has caused the demand supply gap. Due to operating loss the company is facing acute working capital crunch which has aggravated the situation further. The under utilisation of capacity has resulted in under absorption of fixed expenses, interest burden and depreciation and in turn the company has incurred huge losses.

	Rs.	Ps.
Gross loss before interest,		53,44,196
Depreciation, Taxation Provisions & Other adjustments		
Add : Prior period adjustment (Net)		36,802
		53,80,998
Add/Less : Depreciation	(+)	1,80,99,534
Interest	(+)	75,21,495
Taxation provision/ Adjustments	(+)	42,124
Transfer From Investment		
Allowance Reserve	(-)	9,58,600
Operating Loss before taxation	(-)	3,00,85,551
Add : Public issue expenses written off		5,02,231
Deficit of the current year	(-)	3,05,87,782
Add : Brought forward balance of P/L account	(-)	15,69,15,341
Balance of loss carried to Balance Sheet	(-)	18,75,03,123

2. **Operation :** The Operation of the company is not satisfactory.
3. **Future Prospects :** The Company has made a reference to the Board for Industrial and Financial Reconstruction for determination of the measures for rehabilitation. The company is expecting that with the rehabilitation measures and support from bank and financial institutions, the company will come out from its present crisis within a short period and regain its position.
4. **Directors :** Shri. G.D. Sarda is due for retirement at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. The shareholders approval is being sought for the same.

The tenure of office of Shri. J.K. Sarda is completing on 31st July 2001 as Managing Director. The Board of Directors in their meeting held on 25th May 2001 has reappointed him as Managing Director for a subsequent period of 5 years. The shareholders approval is being sought for the same.

The tenure of office of Shri. N.K. Sarda is completing on 31st July 2001 as Jt. Managing Director. The Board of Directors in their meeting held on 25th May 2001 has reappointed him as Jt. Managing Director for a subsequent period of 5 years. The shareholders approval is being sought for the same.

Shri. H.K.Das was appointed as an additional Director of the Company 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. H.K. Das as Director



Shri. A. Mukherjee was appointed as an additional Director of the Company in terms of Section 260 of the Companies Act, 1956. He shall hold office upto the date of Annual General Meeting. The shareholders approval is being sought for the same.

5. **Fixed Deposits :** The Company has not accepted any fixed deposits during the year. None of the deposits, which became due for payment remain unpaid as on 31.12.2000.
6. **Auditors Reports & Auditors :** The Auditor's report and its Annexures are self-explanatory. M/s. Loya Bagri & Co. Chartered Accountants hold office as statutory auditors till conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.
7. **Particulars of Employees :** During the year under review there were no employees receiving remuneration of or in excess of Rs. 6,00,000/- (Rs. Six Lacs only) per annum, or Rs. 50,000/- (Rs. Fifty Thousand only) per month requiring disclosure as per provision of section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 as amended upto date.
8. **Energy, Technology, Foreign Exchange :** The additional information required to be disclosed pursuant to section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, is given in the Annexure forming part of this report.
9. **Dividend :** Due to huge losses the Board of Directors regret their inability to recommend any dividend for the year under review.
10. **Reference to the Board for Industrial & Financial Reconstruction (BIFR) :** As per the audited accounts as on 31.12.1999 the company's net worth stands fully eroded and accordingly the company has made reference to BIFR as per the provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act 1985. The application was already accepted by the Board and the Company was declared as Sick Industrial Company. Necessary rehabilitation package will be taken up by the Board for rehabilitation within a short period.
11. One of the lending institutions, M/s. ICICI Ltd. has filed an application before Debt Recovery Tribunal Mumbai for recovery of their dues amounting to Rs. 1,65,76,166/- as on 31.12.1999 together with further interest and other consequential reliefs. The case is pending for disposal.
12. M/s. Karur Vysya Bank Ltd. has filed an application before the Debt Recovery Tribunal, Mumbai against the amount due to M/s. C.R.B. Capital Markets Ltd. towards unpaid lease rentals. Although our Company is not having any agreement with M/s. Karur Vysya Bank Ltd. regarding payment of lease rentals directly to the bank, however the Lessor company i.e. M/s. C.R.B. Capital Markets Ltd. has hypothecated the properties with the bank and in turn the bank has filed an application including the name of our Company as one of the party towards payment of unpaid lease rentals along with interest. The case is pending for disposal.
13. **Acknowledgement :** The Board of Directors wish to place on record their sincere thanks for extending the support and assistance by the Bank, Financial institutions, various Government Departments, main producers of Iron & Steel and valuable customers. The directors also appreciate the employees for their dedicated service.

For and on behalf of the Board of Directors.

Place : Nagpur.
Date : 25th May 2001

(J.K. SARDA)
(Managing Director)

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