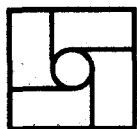


42nd
Annual Report
2002 - 2003



● **BOARD OF DIRECTORS**

J. K. SARDA..... Managing director
N.K. SARDA..... Jt. Managing director
G.D. SARDA..... Whole Time Director
H. K. DAS Director
A. MUKHERJEE..... Director
J. C. SABOO Director
P. R. AGRAWAL Director

● **AUDITOR**

LOYA BAGRI & CO Chartered Accountants
Gandhibagh, Nagpur – 440 002

● **INTERNAL AUDITOR**

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

● **BANKERS**

STATE BANK OF INDIA

● **REGISTERED OFFICE**

Kamptee Road, Nagpur – 440 026.

● **WORKS**

1. Kamptee Road, Nagpur – 440 026
2. T-1/1, MIDC, Hingna Road, Nagpur – 440 016.

● **SHARE TRANSFER AGENT**

M/s. LIGHT HOUSE SYSTEMS

Yugadharma Complex, Lokmat Square,
Nagpur-440 010

42nd Annual Report**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the 42nd Annual General Meeting of the Company will be held on 30th September, 2003 Tuesday at 10.00 a.m at the Registered Office of the Company i.e. Kamptee Road, Nagpur to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2003 and the Report of the Board of Directors, Corporate Governance and Auditors Reports.
2. To appoint a Director in place of Shri J. K. Sarda who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. Mukherjee who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

By order of the Board
For **SHARDA ISPAT LTD.**

Place : Nagpur
Date : 29, August, 2003

N.K. SARDA
Jt. Mg. Director

NOTES

1. A MEMBER 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.
2. The Register of Members and share Transfer Books of the Company will remain closed from Saturday 27th September, 2003 to Tuesday 30th September, 2003 (Both the days inclusive).
3. Members are requested to :
 - a) Intimate to the Company the changes, if any, in their registered addresses along with Pin Code Number.
 - b) Quote their Folio Number.
4. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
5. The Members / Proxies should bring the Attendance Slip enclosed herewith duly filled in for attending the Meeting.

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DIRECTOR'S REPORT

Dear Shareholders,

Your Directors, have pleasure in presenting their 42nd Annual Report on the business and operation of the Company and the Audited Financial Accounts for the year ended on 31st March, 2003.

| 1. FINANCIAL RESULTS : | Rs. | Rs. |
|---|-----------------|--------------|
| SALES AND SERVICE CHARGES | -- | 64,93,94,510 |
| Gross loss before interest, Depreciation, Taxation Provisions & Others Adjustments | | 1,32,896 |
| Add / Less : Depreciation | (+) 1,22,13,299 | |
| Interest | (+) 40,42,333 | |
| Taxation Provision / Adjustment | (-) 18,800 | |
| Prior period adjustment (Net) | (-) 1,61,195 | |
| Operating Loss | | 1,62,08,533 |
| Add : Public issue expenses written off | | 5,02,231 |
| Deficit of the current year | | 1,67,10,764 |
| Add : Brought forward balance of P/L Account | | 21,73,92,944 |
| Balance of loss carried to Balance Sheet | | 23,41,03,708 |

2. REVIEW OF OPERATIONS :

During the year of operation the Company achieve production of 41484 MT including conversion and Sales and Service charges Rs.6493.95 lacs. The under utilisation of capacity is mainly due to acute shortage of working capital. The under utilisation of capacity has resulted under absorption of fixed expenses and depreciation and the company has incurred huge losses.

3. DIRECTORS :

Shri J. K. Sarda and Shri A. Mukherjee is due for retirement at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The shareholders approval is being sought for the same.

4. FIXED DEPOSITS :

The Company did not accept any fixed deposits during the year under review. No deposits were outstanding as on 31.03.2003.

5. AUDITORS REPORTS & AUDITORS :

No comments or explanations are required, as the Auditor's report and its Annexures are self-explanatory. M/s. Loya Bagri & Co., Chartered Accountants, retire as Auditors of the company at the conclusion of 42nd Annual General Meeting and are eligible for reappointment.

6. AUDIT COMMITTEE :

The Company has already constituted an Audit Committee of its Board of Directors with specific terms of reference as on 11.10.2002 in order to comply the requirements of Corporate Governance.

7. LISTING OF SECURITIES :

The shares of the company are presently listed on the stock exchanges namely Mumbai, Ahmedabad, Calcutta and Pune. The company has duly paid the listing fees to all the Stock exchanges for the financial year 2003-2004.

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8. PARTICULARS OF EMPLOYEES :

None of the employees was in receipt of remuneration of Rs. 2,00,000/- or more per month or Rs. 24 lacs or more per annum during the year. Therefore, the particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not furnished.

9. 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.

10. DIVIDEND :

In view of the huge losses incurred by the company and recessionary trend still prevailing the Board of Directors have not thought it prudent to recommend any dividend for this year.

11. CORPORATE GOVERNANCE :

The company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance. The same is annexed to this Report.

12. DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2 AA) of the Companies (Amendment) Act, 2000 the directors confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures,
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that year;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- iv) the Directors have prepared the annual accounts on a going concern basis.

13. REFERENCE TO THE BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR) :

The company made an application to Hon'ble BIFR as per audited financial result as on 31.12.1999 and the case was duly registered.

As per further BIFR directives the company has submitted Rehabilitation scheme / One Time Settlement offer to come out from sickness and continue its operation. As per BIFR directives M/s. IDBI was appointed as Operating Agency. ICICI the first financial institution gave consent for accepting the offer of the company regarding One Time Settlement proposal for settlement of their dues. The proposal for One Time Settlement is under active consideration with all other Financial Institutions / Bank for rehabilitation of the Company.

14. ACKNOWLEDGMENT :

Your directors take this opportunity to place on record their deep sense of gratitude to the Banks, Financial Institutions, various Government Departments, Main producer of Iron & Steel and valuable customers. Your directors express their deep sense of 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: 29 th August, 2003

(J. K. SARDA)
(Managing Director)

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

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Annexure forming part of the Director's Report.

A. ENERGY CONSERVATION MEASURES TAKEN

The basic philosophy of the company is to achieve economy of operations at all levels and its constant endeavor to minimise energy wastage and ensure maximum energy conservation through proper monitoring and maintenance. In the process the company is regularly monitoring the furnace and other plant and machineries, so that the break down can be reduced and has taken other on going measures to reduce per unit consumption.

B. TECHNOLOGY ABSORPTION :

The technology used for the existing project is fully indigenous. The production department of the company is actively involved on a continuous basis in evaluating new ways and methods so as to reduce the percentage of burning loss and generation of waste & scrap.

C. FOREIGN EXCHANGE EARNING AND OUT GO :

- i. The company has not effected any import or export during the year ended 31.03.2003.
- ii. The inflow of foreign exchange is NIL
- iii. The outflow of foreign exchange is NIL

FORM 'A' (See Rule 2)

(Form for Disclosure of Particulars with respect to Conservation of Energy)

| | March 2003 | March 2002 |
|--|-------------|-------------|
| A. Power and Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchased : Units | 50,12,500 | 38,59,870 |
| Total Amount (Rs.) | 2,40,48,319 | 2,34,73,463 |
| Average Rate / Unit (Rs.) | 4.798 | 6.081 |
| b) Own Generation | NIL | NIL |
| 2. Steam Coal : | | |
| Quantity (Tonnes) | 5,165 | 4,465 |
| Total Cost (Rs.) | 86,96,842 | 69,96,728 |
| Average Rate / Tonne (Rs.) | 1683.803 | 1567.08 |
| 3. Furnace Oil : | | |
| Quantity (K. Ltrs.) | 6,91,386 | 5,39,120 |
| Total Amount (Rs.) | 83,56,352 | 57,46,063 |
| Average Rate / K. Ltrs. (Rs.) | 12086.38 | 10,658.23 |
| 4. Others / Internal Generation | NIL | NIL |
| 5. Consumption per MT of Production (Standards if any) | | |
| Products (with details) unit | --- | --- |
| Rolled Iron & Steel (in MT) | 41,398 | 32,197 |
| Electricity (in Units) | 121.081 | 119.88 |
| Furnace Oil (Secondary Fuel) (in Ltrs.) | 16.70 | 16.74 |
| Coal (Steam Coal 'B' Grade) (in MT) | 0.125 | 0.139 |
| Excluding Shell & dust | | |
| Other (Specify) | NIL | NIL |

For and on behalf of the Board of Directors

Place : Nagpur
Date: 29th August, 2003

(J. K. SARDA)
(Managing Director)

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

Sharda Ispat Limited



REPORT ON CORPORATE GOVERNANCE

I COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Corporate Governance is indispensable for the growth of Capital market and is an important instrument of Investor Protection. It is a Source of transparent Corporate Disclosures and high-quality Accounting practices. It creates a strong base for viable and accessible financial reporting structure.

The Securities and Exchange Board of India (SEBI) has introduced a code of Corporate Governance for the Listed Companies through an amendment to the Listing Agreement. As per the amendment, this code becomes applicable to the Company in the financial year 2002 - 2003.

II. BOARD OF DIRECTORS :

A. Composition :

The Board of Directors comprises of **Seven (7)** Directors with the composition of Executive, Non-Executive and Independent Directors.

| Sr.No. | Name of the Director | Designation |
|--------|-----------------------|--------------------------------------|
| 1. | Shri. J. K. Sarda | Chairman & Managing Director |
| 2. | Shri. N. K. Sarda | Joint Managing Director |
| 3. | Shri. G. D. Sarda | Whole Time Director |
| 4. | Shri. H. K. Das | Non-Executive & Independent Director |
| 5. | Shri. A. K. Mukherjee | Non-Executive & Independent Director |
| 6. | Shri. J. C. Saboo | Non-Executive & Independent Director |
| 7. | Shri. P. R. Agrawal | Non-Executive & Independent Director |

B. Meetings and Attendance :

Thirteen (13) Meetings of Board of Directors were held during the financial year ended 31st March, 2003. These were held on :-

| | | | |
|----|------------|-----|------------|
| 1. | 18/04/2002 | 8. | 29/10/2002 |
| 2. | 27/04/2002 | 9. | 25/11/2002 |
| 3. | 20/06/2002 | 10. | 06/01/2003 |
| 4. | 09/07/2002 | 11. | 27/01/2003 |
| 5. | 29/07/2002 | 12. | 17/02/2003 |
| 6. | 30/08/2002 | 13. | 26/03/2003 |
| 7. | 11/10/2002 | | |

Attendance :

| Sr. No. | Name of the Director | Attendance at the Board Meetings | Attendance at the Last AGM |
|---------|-----------------------|----------------------------------|----------------------------|
| 1. | Shri. J. K. Sarda | 13 | YES |
| 2. | Shri. N. K. Sarda | 13 | YES |
| 3. | Shri. G. D. Sarda | 13 | YES |
| 4. | Shri. H. K. Das | 12 | YES |
| 5. | Shri. A. K. Mukherjee | 12 | YES |
| 6. | Shri. J. C. Saboo | 09 | YES |
| 7. | Shri. P. R. Agrawal | 10 | YES |

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C. Membership or Chairmanship of other BOD's or Board Committees :

| Sr. No. | Name of the Director | No. of other Directorships (excluding) foreign, private and Sec. 25 Companies | Chairperson of Other BOD's / Board Committees |
|---------|-----------------------|---|---|
| 1. | Shri. J. K. Sarda | 1 | NIL |
| 2. | Shri. N. K. Sarda | NIL | NIL |
| 3. | Shri. G. D. Sarda | 1 | NIL |
| 4. | Shri. H. K. Das | 1 | NIL |
| 5. | Shri. A. K. Mukherjee | NIL | NIL |
| 6. | Shri. J. C. Saboo | NIL | NIL |
| 7. | Shri. P. R. Agrawal | NIL | NIL |

D. Remuneration of Directors :

The details of remuneration of the directors of the company is given below :

| Sr. No. | Name of the Directors | Salary including perquisites (Refer Note 1) | Service Contract | Notice Period |
|---------|-----------------------|---|------------------|---------------|
| 1. | Shri. J. K. Sarda | Rs. 3,45,875 | 5 Years | 12 Months |
| 2. | Shri. N. K. Sarda | Rs. 3,60,491 | 5 Years | 12 Months |
| 3. | Shri. G. D. Sarda | Rs. 2,45,557 | 5 Years | 12 Months |
| 4. | Shri. H. K. Das | NIL | NIL | NIL |
| 5. | Shri. A.K Mukherjee | NIL | NIL | NIL |
| 6. | Shri. J. C. Saboo | NIL | NIL | NIL |
| 7. | Shri. P. R. Agrawal | NIL | NIL | NIL |

Note 1 :

In addition to Salary including Perquisites payable to Shri J. K. Sarda, Shri N. K. Sarda and Shri G. D. Sarda; the agreement provides for housing, medical expenses, leave travel concession, club fees, personal accident insurance, contribution to provident fund and superannuation fund, car perquisites, etc.

Note 2 :

Looking to the financial position of the company, no sitting fee was paid to any director for attending Board meeting / Committee meeting.

E. New Appointments and Re-appointments :

During the year under review, there were no change in the constitution of the Board of Directors of the Company.

Shri J. K. Sarda and Shri A. Mukherjee, liable to retire by rotation and being eligible, offers themselves for re-appointment in the ensuing Annual General Meeting - 2003

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III. AUDIT COMMITTEE :

The Audit Committee was constituted on 11th October, 2002. The other details are as under :

A. Composition :

(a) Shri. A. K. Mukherjee (b) Shri. H. K. Das (c) Shri. P. R. Agrawal

All the members of the Audit Committee are Non-Executive & Independent Directors. Shri. A. K. Mukherjee having financial and accounting knowledge is the Chairman of the Committee.

B Meeting and Attendance :

During the year under review, **Three (3)** meetings of the Audit Committee (s) were held on 11/10/2002, 25/11/2002 and 25/01/2003.

| Sr. No. | Name of the Member (Director) | Attendance |
|---------|-------------------------------|------------|
| 1. | Shri A. K. Mukherjee | 3 |
| 2. | Shri. H. K. Das | 3 |
| 3. | Shri. P. R. Agrawal | 3 |

C. Powers & Functions :

The terms of reference are to review periodical financial statements of the Company and to ensure compliance of internal control systems, apart from investigating into any matters as may be referred to it by the Board. The broad functions of the Audit Committee are :

1. Company's financial reporting process;
2. Appointment and removal of external Auditors;
3. Review of Annual financial statements to be placed before the Board of Directors;
4. Any changes in Accounting policy;
5. Major accounting entries based on decisions taken by the Management;
6. Review of the clarification in the draft Audit Report;
7. Significant adjustments arising out of Audit;
8. Going Concern concept;
9. Compliance with various Accounting Standards;
10. Compliance with various procedural formalities regarding Stock Exchanges and other legal requirements;
11. Discussing with Internal Auditors regarding Internal Control system etc, and
12. Submitting the opinion of the Audit Committee before the Board of Directors, for improvement in overall financial management and accounting procedures, for implementation of better Corporate Governance.

For this purpose, it shall be within the powers of the committee to call for the records of the Company, to be assisted by the employees of the Company and to hire any outside professional or legal expert to assist them in proper discharge of their functions.

IV. REMUNERATION COMMITTEE :

The Board of Directors of the Company are looking after the compensation and remuneration, hence no separate committee is formed.

V. SHARE TRANSFER AND SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE :

The Company has renamed its Share Transfer committee as Share Transfer and Shareholders / Investors Grievance Committee in compliance with Clause 49 of the Listing Agreement with the Stock Exchanges vide resolution of the Board of Directors passed at its meeting held on 11/10/2002. It looks into the various aspects of Transfer / Transmission of Shares, consolidation / split of shares, issue of duplicate share certificates and other allied matters including redressal of Investors' complaints.

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A. Composition :

- (a) Shri J. C. Saboo
- (b) Shri J. K. Sarda
- (c) Shri N. K. Sarda

Except Shri. J. C. Saboo, who is a Non-Executive Director; the other members of the Share Transfer and Shareholders / Investors Grievances Committee are Executive Directors. Presently Shri. J. C. Saboo is the Chairman of the Share Transfer and Shareholders / Investors Grievances Committee. Shri. N. K. Sarda is the Compliance Officer of the Company.

B. Meetings and Attendance :

Meetings :

Share Transfer and Shareholders / Investors Grievances Committee met **Eight (8)** times during the year under review, on the following dates :

| | | | |
|----|------------|----|------------|
| 1. | 05/04/2002 | 5. | 06/11/2002 |
| 2. | 20/06/2002 | 6. | 05/12/2002 |
| 3. | 20/08/2002 | 7. | 04/01/2003 |
| 4. | 20/10/2002 | 8. | 26/03/2003 |

Attendance :

| Sr. No. | Name of the Member (Director) | Attendance | |
|---------|----------------------------------|----------------|----------------|
| | | Up to 11.10.02 | After 11.10.02 |
| 1. | Shri. J. C. Saboo | -- | 5 |
| 2. | Shri. N. K. Sarda | 3 | 5 |
| 3. | Shri. J. K. Sarda | 3 | 5 |

C. No. of complaints received from the Shareholders / Investors :

NIL

D. No. of complaints not solved :

NIL

E. No. of pending Share transfers :

NIL

VI. GENERAL BODY MEETINGS :

A. Details of Annual General Meetings : Location, Date and Time of the last three Annual General Meetings :

| For the year ended | Date | Time | Venue |
|--------------------|------------|----------|---|
| 31/03/2002 | 30/09/2002 | 10 A. M. | Registered Office of the Company at Kamptee Road, Nagpur - 440 026 (MS) |
| 31/12/2000 | 30/06/2001 | 10 A. M. | |
| 31/12/1999 | 30/06/2000 | 10 A. M. | |