



SOUTHERN ISPAT LIMITED

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TENTH ANNUAL REPORT

2004 - 2005

**SOUTHERN ISPAT LIMITED****DIRECTORS**

Shri. Vivek Agarwal - Managing Director
Shri. Amit Kumar Sinha - Executive Director
Shri. E. Sankara Narayana - Additional Director
Shri. E. Tippey Swami - Additional Director
Smt. Richa Agarwal - Additional Director

AUDITORS

M/s. Sunil Johri & Associates
Chartered Accountants
Raipur (C. G.)

BANKERS

State Bank of India, Palakkad
HDFC Bank, Palakkad

REGISTERED OFFICE

19/629 (I) "Sreyas"
Near Yakkara School Bus Stop
West Yakkara, Palakkad - 678 001

FACTORY

Kariankode
Kottayi, Palakkad - 678 572

SHARE TRANSFER AGENTS

M/s. S.K.D.C. Consultants Ltd.,
No. 11, Street No. 1, S. N. Layout
Tatabad, Coimbatore - 641 012

NOTICE TO THE MEMBERS

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held on the 29th day of September 2005 at its Registered Office at 19/629(1) Sreyas, Near Yakkara School Bus Stop, West Yakkara, Palakkad- 678 001 (Kerala) at 11.00 AM to transact the following businesses:-

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Director's Report and Audited Balance Sheet as on 31st March 2005 alongwith Profit and Loss Account for the year ended as on that date and Auditor's Report thereon.
- 2) To elect a Director in place of Mr. E. Sankaranarayana, Director, who retires by rotation and being eligible, offer himself for re-appointment.
- 3) To elect a Director in place of Mr. E. Thippeyswamy, Director, who retires by rotation and being eligible, offer himself for re-appointment.
- 4) To consider and if deemed fit to pass with or without modification the following as Ordinary Resolution:-
"RESOLVED THAT M/s. Sunil Johri & Associates, Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from conclusion of this 10th Annual General Meeting till the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board".

NOTES:

- 1) 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 such proxy or proxies need not be a member or members of the Company. The proxy form duly signed must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
- 2) A proxy can be in any form set out in Schedule IX of the Companies Act, 1956.
- 3) Members intending to ask for information/clarifications at the Annual General Meeting regarding Balance Sheet etc., are requested to give notice of the particulars of information required to the Company at least 7 days before the date of meeting.
- 4) Members are requested to bring the Copy of this Annual Report to the meeting for identity.
- 5) Members are requested to notify the change of address, if any, to the Company.
- 6) The Register of Members of the Company will remain closed from 24th September 2005 to 29th September 2005, both days inclusive.

PROFILE OF DIRECTORS RETIRING BY ROTATION AND RE-APPOINTMENT

1) PROFILE OF Mr. E. SANKARANARAYANA

Age	56 Years
Qualification	B.Sc
Expenience	36 Years in Steel Industry

2) PROFILE OF Mr. E. THIPPEYSWAMY

Age	36 Years
Qualification	B.Sc
Expenience	13 Years in Steel Industry

Place: PALAKKAD

Date : 28-07-2005

BY ORDER OF THE BOARD

(VIVEK AGARWAL)
MANAGING DIRECTOR

DIRECTOR'S REPORT

Your Directors have great pleasure to take this opportunity to present the Tenth Annual Report of the Company together with Audited Financial Statement for the year ended 31st March 2005.

A. FINANCIAL RESULTS:

(Amount in 000's)

Particulars	Year ended	
	31/03/2005	31/03/2004
Turnover (Gross Revenue)	2,55,029.00	1,51,607.00
Total Expenditure	2,49,788.00	1,36,321.00
Profit Before Depreciation	5,241.00	15,286.00
Depreciation	4,300.00	5,242.00
Income Tax/Deferred Tax	(1,086.00)	1,755.00
Net Profit / (Loss)	2,027.00	8,289.00

B. OPERATIONS

The operations have resulted in a Net Profit of Rs. 20.26 Lakhs:- During the Year the Company had earned Commission on Services. The Turnover has increased by 13% and the Company is hopeful of achieving a better turnover in the coming years. The decline in profit in this year is mainly due to provision of Electricity Charges pertaining to earlier years. From the Current Year the Company is booking the revised electricity charges in the Accounts. The Company proposes to write off the balance portion of Electricity charges in phased manner. The Company had decided to set up its proposed Sponge Iron Project as a separate unit.

C. POLLUTION

Numbers of trees have been planted in the premises of the unit at Kottayi for pollution free environment. We have also installed high technology oriented pollution control equipments to keep the environment neat and clean.

D. ENERGY SAVING DEVICES

All types of equipments for energy conservation have been installed at the Unit.

E. EMPLOYEES

None of the employees of the Company was in receipt of remuneration above Rs. 2,00,000/- per month or Rs. 24,00,000/= per annum during the year and hence no declaration needed u/s 217 (2A) of the Companies Act, 1956.

F. DIVIDEND

No dividend is declared for the financial year

G. AUDITORS

M/s. Sunil Johri & Associates, Chartered Accounts, Raipur, retires at this Annual General Meeting and they have consented to be reappointed as Auditors of this Company.

H. FUTURE PLANS

The company order position is comfortable and the management is confident of achieving a better turnover and profitability for the coming years. Board has identified that there is good potentiality for expanding the market base in Kerala and action are being initiated for exploring opportunity.

I. DIRECTORS

Shri E. Sankaranarayana and E. Thippeswamy, Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment.

J. DIRECTOR'S RESPONSIBILITY STATEMENT U/S 217(2AA)

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

- (i) that in the preparation of the annual accounts the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (ii) that appropriate Accounting Principles have been selected and applied consistently and have made judgments and estimates that 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 period ended 31st March, 2005.
- (iii) that 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.
- (iv) that the annual accounts have been prepared on a going concern basis.

The following accounting standards were not applicable to the company during the year under review due to non occurrence of events and transactions covered under the scope of these accounting standards: -

AS-13	Accounting for amalgamation
AS-17	Segment reporting
AS-21	Consolidated financial statements
AS-23	Accounting for investments in associates in consolidated financial statements
AS-24	Dis-continuing operation
AS-7	Accounting for construction
AS-11	Accounting for the effects of changes in Foreign exchange rates
AS-12	Accounting for Government Grants
AS-13	Accounting for investments

K. MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**INDUSTRY STRUCTURE AND DEVELOPMENT**

The steel industry in which the company forms part, is stabilizing and picking up as the company's product mainly cater to the construction segment which is growing due to recent changes in Government Housing Policy, Tax Concessions, loan Facilities.

OPPORTUNITIES AND THREATS

There are tremendous opportunities for construction steel materials due to rapid industrialization, extension of city/town limits, village developments and housing construction projects.

The main threat will be certain Government Policies, regulations and competitive products to replace steel.

SEGMENT WISE OR PRODUCTION PERFORMANCE

The company has only one segment i.e. manufacturing of steel items such as M S Ingots and C I Moulds. The company is doing well to increase the production of its products.

OUTLOOK

Future for the Industry/Company is good as the company can aim at both forward and backward integration.

RISK AND CONCERNS

The main risk factor is availability of water, as the industry needs sufficient water. The Company is making all efforts to locate further expansion/diversification in the areas where water is adequately available at all seasons.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company is having in-built internal control and check systems and has been constantly monitored by experienced professionals. Further the Company engaged in continuous improvement exercise, modernization and systemization to bring out visible gains.

DISCUSSION ON FINANCIAL PERFORMANCE

During the year the company has made sale of Rs. 1716.36 Lakhs as against the sale of Rs. 1216.21 Lakhs in the previous year. The company has also earned Rs. 527.47 Lakhs towards commission on services.

MATERIAL DEVELOPMENTS IN INDUSTRIAL RELATIONS FRONT

The company is maintaining cordial relationship with the employees of the company. The company could record such production and sales consistently due to support and co-operation from its employees.

CORPORATE GOVERNANCE

The policies, procedures and practices that are installed in the Company ensure requisite care and diligence in functioning as well as providing transparencies and accountability for performance thereby enhancing the value of shareholders and safeguard their interest.

A) BOARD OF DIRECTORS

- 1) The Board of Directors of the Company is comprised of

- 1) Mr. Vivek Agarwal
- 2) Mrs. Richa Agarwal
- 3) Mr. Amit Kumar Sinha
- 4) Mr. E. Sankaranarayana and
- 5) Mr. E. Thippeyswamy

- 2) The attendance of Directors at Board Meeting and Annual General meeting during the period 01/04/2004 to 31/03/2005:

Name of Directors	No. of Meetings	Attended	Last AGM attended
Mr. Vivek Agarwal	11	11	Yes
Mrs. Richa Agarwal		9	Yes
Mr. Amit Kumar Sinha		11	Yes
Mr. E. Sankaranarayana		11	Yes
Mr. E. Thippeyswamy		11	Yes

- 3) 11 Nos. of Board Meetings were held on 15/04/2004, 06/05/2004, 02/06/2004, 25/06/2004, 15/07/2004, 24/07/2004, 01/09/2004, 25/10/2004, 08/12/2004, 15/01/2005 and 25/02/2005

B) AUDIT COMMITTEE

An Audit Committee is in existence comprising of Mr. E. Sankaranarayana, Mr. E. Thippeyswamy and Mrs. Richa Agarwal. The constitution of the audit committee also meets the requirements under Section 292A of the Companies Act, 1956.

The broad terms of references are as follows:-

- 1) Review of Company's Financial Reporting process and its Financial Statements.
- 2) Review of Accounting and Financial Policies and Practices
- 3) Review of Internal Control System.

C) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Company has constituted a share transfer committee consisting of Mr. E. Sankaranarayana, Mrs. Richa Agarwal and Mr. E. Thippeyswamy and the meetings were held regularly. As on 31/03/2005, there are no complaints, queries pending for reply. There were no share transfers pending for reply. There were no share transfers pending for registration for more than 30 days as on the said date

D) GENERAL BODY MEETING

Location and time for the last three Annual General Meeting:-

Year	Location	Date	Time	No. of Special Resolutions
2003-04	19/629(1), Sreyas, West Yakkara, Palakkad	27/09/2004	11.00 AM	NIL
2002-03	18/739(1), Sreevatsam, R C Road, Palakkad	15/09/2003	11.00 AM	NIL
2001-02	18/739(1), Sreevatsam, R C Road, Palakkad	23/09/2002	10.30 AM	NIL

No special resolutions were put through postal ballot last year and nor is any proposed for this year.

E) DISCLOSURES

There are no materially significant transactions with related parties viz. Promoters, Directors of their management, their subsidiaries or relatives conflicting with Company's interest.

F) MEANS OF COMMUNICATIONS

The Company is publishing quarterly unaudited financial results and notice advertisements in Financial Express.

G) GENERAL SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING	DATE	29 TH SEPTEMBER 2005
	TIME	11.00 AM
	VENUE	19/629(1), SREYAS WEST YAKKARA PALAKKAD – 678 001

FINANCIAL CALENDAR 2005-06

Results of the Quarter ended 30/06/2005	Before 31/07/2005
Results of the Quarter ended 30/09/2005	Before 31/10/2005
Results of the Quarter ended 31/12/2005	Before 31/01/2006
Results of the Quarter ended 31/03/2006	Before 30/06/2006
Book Closure	24/09/2005 to 29/09/2005 (both days inclusive)
Listing on Stock Exchanges	Cochin/Mumbai/Madras/Ahmedabad

Stock Market Data

The Stock Exchange, Mumbai

Month	Month's High	Month's Low
April 2004	12.50	8.02
May 2004	9.04	5.84
June 2004	6.50	4.06
July 2004	9.71	5.20
August 2004	11.00	6.76
September 2004	9.00	6.52
October 2004	9.17	7.05
November 2004	11.24	7.21
December 2004	14.53	8.78
January 2005	17.65	12.05
February 2005	18.67	13.25
March 2005	17.00	13.50

Registrar/
Share Transfer Agent/
Depository

M/s. S K D C Consultants Limited
PB No. 2979
No. 11 Seth Narayanadoss Layout
Street No. 1, West Power House Road
Coimbatore - 641 012
Tel: (0422) 5549995 Fax: (0422) 2499574
Email: info@skdc-consultants.com

SHAREHOLDING PATTERN AS ON 31/03/2005

Promoters	27.41 %
Persons acting in concert	11.29 %
Banks/FIs/Mutual Funds	00.05 %
Private Corporate Bodies	13.33 %
NRIs/OCBs	00.48 %
Indian Public	47.45 %

DISTRIBUTION OF SHAREHOLDING AS ON 31/03/2005

Range	No. of Shareholders	% of Shareholders	No. of Shareholder	% of Shareholding
Upto 500	2198	64.51	629478	12.06
501 to 1000	669	19.64	612145	11.73
1001 to 2000	284	8.34	482485	9.25
2001 to 3000	80	2.35	214158	4.10
2001 to 4000	35	1.03	129715	2.49
2001 to 5000	45	1.32	219127	4.20
2001 to 10000	45	1.32	342325	6.56
10001 and above	51	1.50	2588967	49.61
	3407	100.00	5218400	100.00

DEMATERIALISATION OF SHARES

The shares of the Company are traded in demat form by all categories of investors. The Company has arrangement with both National Securities Depositories Limited and Central Depository Services Limited to establish electronic connectivity of our shares for scripless trading. The ISIN allotted for the shares of the Company is INE943B01011. As on 31/03/2005, 96.712 % of shares of the Company were held in dematerialized form.

SHARE TRANSFER SYSTEM

Presently, the share transfers which are received in physical forms are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects.

QUERIES ON ANNUAL REPORT

Queries on Annual Report may be addressed to SOUTHERN ISPAT LIMITED, 19/629(1), SREYAS, NEAR YAKKARA SCHOOL BUS.STOP, WEST YAKKARA, PALAKKAD, KERALA – 678 001.

ADDENDUM TO DIRECTORS REPORT**1) Non write off of Electricity Charges**

The Board decided to write off the full amount of electricity charges excepting an amount of Rs. 1.88 Crores due to the fact that the Company has preferred an appeal against the order of the electricity board levying penal interest @ 24%. The Company is confident of getting the interest waived by at least 12% and hence the full amount has not been written off in the current year.

2) Non provision of interest on TDS

Since the Company used to remit the tax deducted at source on due dates, the company has not made any provision for the interest.

ACKNOWLEDGEMENT

Your Directors like to place on record their immense gratitude to the Central and State Agencies and Banks and others for their continued support and help. We wish to place on record our appreciation to our members for the confidence reposed by them in the Company. We also wish to place on record our appreciation to the staff for their sincere and efficient service. Your Directors also acknowledge the trust and confidence you have reposed in the Company.

Place: PALAKKAD

FOR AND ON BEHALF OF THE BOARD

Date : 28-07-2005

(VIVEK AGARWAL)
MANAGING DIRECTOR